NOVEMBER 1983

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

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Specialty Advertising:

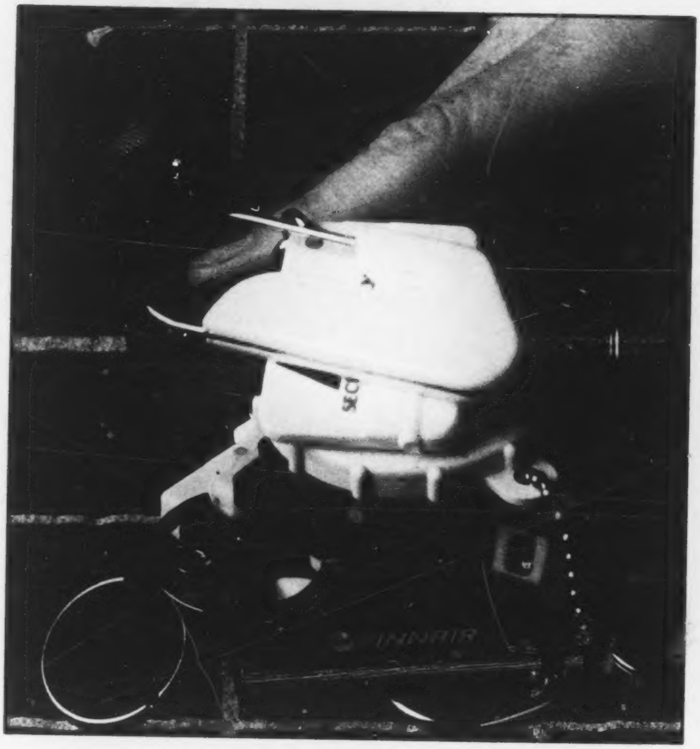
New player in the premium game

Chicago Show Report

A BILL PUBLICATION

Incentive Marketing

November 1983



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Or you can call, 304/424-3000. Ask for Lou Harris or Jeff Sheridan.

☐ Payment enclosed for this month's premium sample and Incentive Program Planning Kit. (Enclose remittance with order. Please allow 4 weeks for delivery.)

☐ Check here for free Incentive Program Planning Kit only.

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Circle No. 115 on Buyer Action Card

Mail-in prices up again in early 1983

NEW YORK NY.—Consumer premium promotions are costing more—but are worth more to consumers—according to **Incentive Marketing's** latest promotion index. The twice-yearly study tracked 190 premium offers selected from various retail outlets and advertising media during the first half of 1983.

Average prices for a mail-in offer increased to $14.22, up from $12.49 in the second half of 1982, a gain of nearly 14 percent. Compared to the first six months of last year, when the average mail-in price was reported at $9.93, the new figure represents a leap of 43 percent.

More than 35 percent of promoters claimed retail values in their offers—a slight increase from the 32.5 percent recorded in the second half of 1982, but consistent with the proportion found for the first half of that year.

Average value claimed for a consumer mail-in premium offer during the first half of 1983 was $23.89, not quite double the average offer price for the period.

Food products manufacturers continued as leading users of consumer premium promotions, but several other product categories increased their usage in recent months, and are broken out for the first time in the chart below. Health & beauty aids makers held steady in the runner-up position, while producers of magazines, tobacco products, household fixtures and

MAIL-IN PREMIUM PRICES

COST	FIRST HALF '83	SECOND HALF '82	FIRST HALF '82
Free	25.8%	17.5%	17.0%
$0.01-$0.99	7.4%	5.9%	7.5%
$1.00-$4.99	21.0%	27.0%	35.0%
$5.00-$9.99	16.3%	28.6%	20.8%
$10.00 and up	29.5%	21.0%	19.7%

WHO'S BEHIND THE OFFERS

CATEGORY	FIRST HALF '83	SECOND HALF '82	FIRST HALF '82
Food Products	38.9%	49.5%	48.0%
Health & Beauty Aids	11.6%	12.7%	12.0%
Magazines	8.9%	Not Ranked.	Not Ranked.
Tobacco Products	8.4%	3.6%	1.4%
Alcoholic Beverages	4.2%	3.6%	2.3%
Household Fixtures & Tools	4.2%	Not Ranked.	Not Ranked.
Book Clubs	3.0%	Not Ranked.	Not Ranked.
Paper Products	3.0%	7.6%	3.0%
Automotive Products	2.6%	2.8%	4.0%
Pens	2.6%	Not Ranked.	Not Ranked.
Apparel	2.1%	Not Ranked.	Not Ranked.
Cleaning Aids	2.1%	4.0%	8.0%
Pet Foods	1.6%	4.2%	4.2%
Soft Drinks	1.6%	4.7%	2.5%
Appliances	0.5%	1.2%	1.6%
Miscellaneous	4.7%	6.1%	13.0%

tools, and book clubs passed such traditional leaders as paper products, soft drinks, and pet foods in the standings.

More and more offers skewed toward the high end of the IM index, including many premiums which conveyed product imagery, as depicted in media advertising, in appeals to upscale market segments. Here are some examples:

- Marlboro cigarettes (Philip Morris Inc.) played up its rugged cowboy image with the Marlboro Country Store premium collection. This mail-order promotion offered items ranging from a Zippo lighter at $9 to a pair of leather trail driver boots at $94, and all the way up to a sheepskin coat at $290—the most expensive item charted in this survey. R.J. Reynolds' Camel brand sponsored a similar collection in competitive activity.
- Prego spaghetti sauce (Campbell Soup Co.) launched the "Prego Italian Cooking Extravaganza" which offered almost anything usable in the kitchen. Customized premiums bore the brand's logo and began with an oven mitt—with a claimed retail value of $5.95—offered for $3 and two proofs-of-purchase. Highlights included a pasta & dough machine—with a claimed value of $200—offered for $117.50 and two proofs, and a Signor Salton Espresso/Capuccino Maker—with a claimed value of $79—offered for $50 and two proofs.

Marketers also continued to supply attractive premiums at no charge to consumers. Star-Kist Foods' 9-Lives cat food offered a free health examination for a cat at his/her local animal hospital. Owners/consumers had to submit various combinations of proofs.

Incentive Quote

"It's important to realize that the amount of time and money the contest crowd devotes to its obsession is disproportionate to the gains. Robert Gables, a Cleveland stockbroker, mailed out 7000 entries last year. He won 72 prizes worth $1000, and a lot of it was junk. He figures he spent $2100."

—Money magazine, on "Ways to win those contest jackpots."

Polaroid, United in discount offer

CAMBRIDGE MA.—United Airlines is the latest carrier to participate in a consumer promotion with Polaroid cameras and film. A nationwide program running through the end of the year offers $100 flight discount certificates to consumers spending $100 or more on Polaroid 600 Series cameras, 600 High Speed instant color film, or Time-Zero Supercolor film. Consumers spending $50 or more receive $50 fare discounts.

The airfare discounts are obtained by mailing in proofs, and apply to domestic roundtrip flights, including supersavers, and must be used in 1984. There are some restrictions: discounted travel will not be valid April 13-20, November 19-21 and 24-26, December 19-23 and 26-30; and

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Incentive Marketing

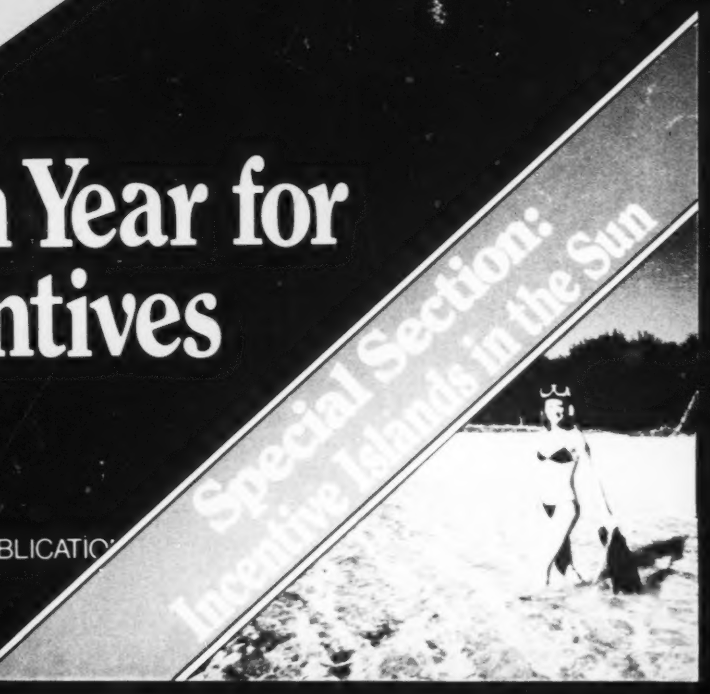
INCORPORATING **INCENTIVE TRAVEL**

DECEMBER 1983

Facts:

ANNUAL REPORT

A Tough Year for Incentives



Special Section:
Incentive Islands in the Sun

A BILL PUBLICATIO

INCENTIVE MARKETING

Special Report: INCENTIVE TRAVEL '83

December 1983

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Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

1982:
A Tough Year for Incentives

Cheer up! Eight years ago it was much worse. That's about the best one can say about the progress of incentives in 1982.

Last year witnessed a 4.5-percent incentive growth in dollar expenditures, compared with a drop of 3.8 percent in 1974. But against the backdrop of five-percent inflation in '82, it was little to cheer about. And the effectiveness of users' incentives last year reached a low unmatched in recent history.

The dollar advance was much less than the 9.1 percent users had earlier told us to expect. It seems likely they wrote more inflation into their forecasts than actually occurred. But marketers also retreated from some promotion plans, as we exchanged double-digit inflation for double-digit unemployment and a drop in virtually every other indicator.

Only four industries increased their incentive spending significantly above the inflation rate—two of them by less than seven percent, two between eight and nine percent.

The insurance industry made the boldest move, increasing its incentive budget by 8.7 percent over the 1981 level. By far the largest portion of insurance expenditures went for sales force incentives, and that category rose by 8.6 percent last year. But smaller dealer (broker) incentive expenditures increased by 10.7 percent.

Overall, insurance spending for sales motivation in the two categories reached an estimated $290,402,000—up nine percent from 1981. The sales incentive portion alone hit a new high of $243,384,000 to make this industry the largest user of such programs by a wide margin. Outlays for all incentive techniques for the insurance field in '82 totaled $346,279,000.

The only other noteworthy growth was in the Office Equipment industry, up an estimated 8.3 percent in 1982 incentive spending,

Automotive field spent $787 million on incentives, but growth was slow: up 3% for auto makers, up 4.3% for auto parts.

Belt-tightening hit the farm, with equipment makers spending .6% less, while feed & supply spending was up 4.2%. Agribusiness incentives topped $327 million.

to $162,442,000. Here too, the category of sales incentives was the greatest contributor to expansion, up 12.7 percent.

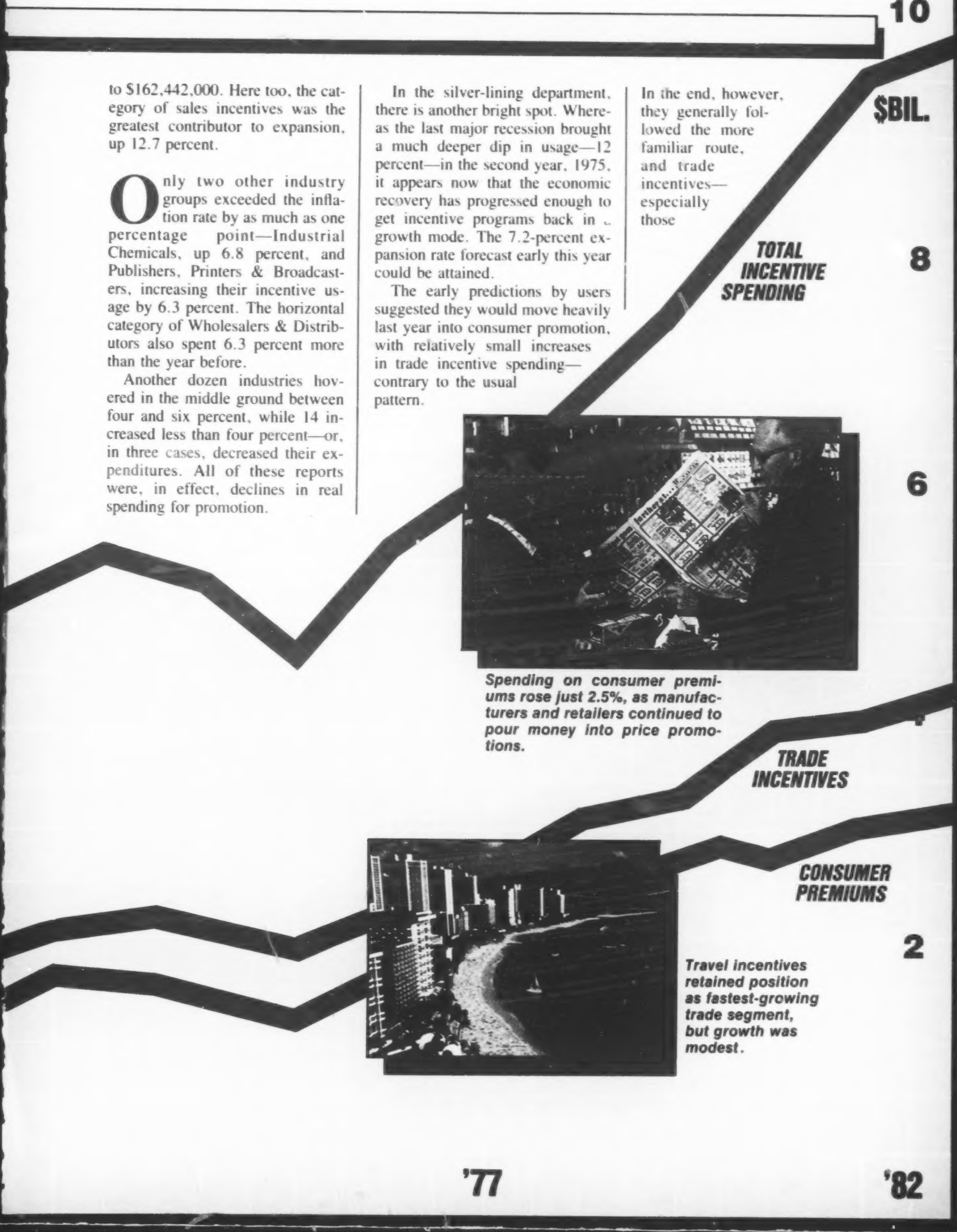
Only two other industry groups exceeded the inflation rate by as much as one percentage point—Industrial Chemicals, up 6.8 percent, and Publishers, Printers & Broadcasters, increasing their incentive usage by 6.3 percent. The horizontal category of Wholesalers & Distributors also spent 6.3 percent more than the year before.

Another dozen industries hovered in the middle ground between four and six percent, while 14 increased less than four percent—or, in three cases, decreased their expenditures. All of these reports were, in effect, declines in real spending for promotion.

In the silver-lining department, there is another bright spot. Whereas the last major recession brought a much deeper dip in usage—12 percent—in the second year, 1975, it appears now that the economic recovery has progressed enough to get incentive programs back in a growth mode. The 7.2-percent expansion rate forecast early this year could be attained.

The early predictions by users suggested they would move heavily last year into consumer promotion, with relatively small increases in trade incentive spending—contrary to the usual pattern.

In the end, however, they generally followed the more familiar route, and trade incentives—especially those



Spending on consumer premiums rose just 2.5%, as manufacturers and retailers continued to pour money into price promotions.

Travel incentives retained position as fastest-growing trade segment, but growth was modest.

for their sales forces—outstripped the consumer side in growth. Sales incentives moved up by 5.6 percent over 1981 levels, while dealer promotion advanced just 3.3 percent and consumer activity only 2.5 percent.

The largest percentage expansion occurred in business gifts, which moved up 8.8 percent over 1981. This is probably due in part to the fact that most of this spending comes in the last months of the year—when the sky was beginning to look a little brighter.

When all the estimates were counted, incentive marketing did not go beyond the $10 billion mark in 1982 as had been expected, but reached a total estimated outlay of $9,779,217,000.

By far the largest cutback came for Banks and Savings & Loan Associations, estimated down 29.1 percent from the 1981 level of usage. Last year was a time of deregulation for the financial institutions, and interest rates became the focus of promotion. And late in the year, with authorization of a new type of money-market bank account, an even greater wave of rate promotion began to cut more deeply into incentive promotion in the financial field, making premiums far less prevalent in 1983. An oversupply of deposit funds also contributed heavily to slowing promotion by banks and S&Ls.

Other losers in the 1982 estimates were Housewares & Home Furnishings, whose incentive expenditures dipped two percent below the previous year, and Farm Equipment, a troubled industry that kept trying but could not motivate hard-pressed farmers to buy—and spent 0.7 percent less for incentives.

Even where the use of incentives remained at a fairly high level, results last year did not always seem to justify efforts. The average sales increase reported in sales force and dealer promotions was lower than any recent surveys have found. And a disturbing number of users reported no gain or even an actual decline in volume during their incentive campaigns. This experience hit 12 to 31 percent of the users responding, depending upon category of usage.

"We were glad to stay even with the year before" was a typical comment. "We were lucky to come out flat in a terrible year," one executive said. "The incentive program helped keep us from losing more ground," another pointed out. And "we were down—but not as much as our competitors."

Such results were reported by 12 percent of the users of merchandise incentives for salespeople—and they were the lucky ones. In sales force travel programs, 17 percent said they were losers. And on the dealer side, merchandise offers brought no gain for 19 percent,

THE INCENTIVE FIELD AT A GLANCE

ALL FIGURES: 000 OMITTED

	1981	% CHANGE	EXPENDITURES 1982	% CHANGE
SALES INCENTIVES	$2,188,921	7.7%	$1,760,893	5.2%
(Merchandise)	1,674,390	7.2	551,252	7.1
(Travel)	514,531	9.1	2,312,145	5.6
DEALER INCENTIVES	$1,642,531	5.4	1,122,693	2.9
(Merchandise)	1,090,544	5.4	574,727	4.1
(Travel)	551,987	6.7	1,697,420	3.3
MERCHANDISE TOTAL	$2,764,934	6.5	2,883,586	4.3
TRAVEL TOTAL	$1,066,518	7.9	1,125,979	5.6
TRADE TOTAL	$3,831,452	6.9	4,009,565	4.6
CONSUMER PREMIUMS	$2,737,058	6.5	875,122	2.6
Self-Liquidators	853,160	7.9	382,041	5.5
Free Mail-ins	362,270	7.5	688,787	(1.5)
Direct Premiums	699,628	4.0	391,001	4.0
Factory Packs	375,973	5.2	298,002	4.2
Coupon Plans	286,092	6.9	169,699	6.1
Sweeps, Contests	159,935	10.9	2,804,652	2.5
TRADING STAMPS	483,000	5.5	507,000	5.0
OTHER RETAIL	1,430,000	11.3	1,501,000	5.0
BUSINESS GIFTS	880,000	18.0	957,000	8.8
TOTAL USAGE	**$9,361,510**	**8.3%**	**$9,779,217**	**4.5%**

Change in IM survey publishing schedule

With this year's survey, we begin a change which will put the **IM** surveys on a more current basis. In February 1984, we will publish an updated report on incentive expenditures in 1983, and an estimate for 1984. Then, in the December 1984 issue, we plan to publish estimates for incentive usages in the current year.

while dealer travel users suffered most—31 percent of them saying their incentives did not motivate sales growth.

These reports were made in the first half of this year by executives completing **IM's** census questionnaire, and they are comparable with those filed a year earlier by a similar cross-section of incentive users. In the history of the FACTS surveys, we have never before segregated losers—the few respondents who did not report some increase in volume were simply entered as zeros in the tabulation. If that had been done for the 1982 results, the averages would have been depressed much more. Even with the few zero entries eliminated, the average of sales gains dropped for three of the four techniques.

The best results were achieved by companies conducting travel campaigns for salespeople. Their sales increases averaged 14 percent—down two points from 1981 estimates.

Everybody else contributed to averages of 11 percent in the three other categories. In the case of sales force merchandise promotions, that was down from a year-before average of 14 percent. In dealer promotion, merchandise users stayed level at an average of 11 percent—while that result represented a drop from 13 percent in the travel column.

Sales increase as a measure of promotion results is a fairly subjective yardstick. It must naturally relate to the total environment in which the incentive effort is made. Thus it may be arguable whether promotions were really less "effective" last year because sales numbers were smaller. Being able to gain 11 percent—or even four or five percent, as many did—in the 1982 economy may be a more commendable accomplishment than a gain of 15 or even 20 percent in a less stagnant economy. This is rather apparent in the comments of many users, some of which have been quoted here. Considering the alternatives, any marketing tool that could stem the decline was most welcome to many companies—even if the effect was temporary.

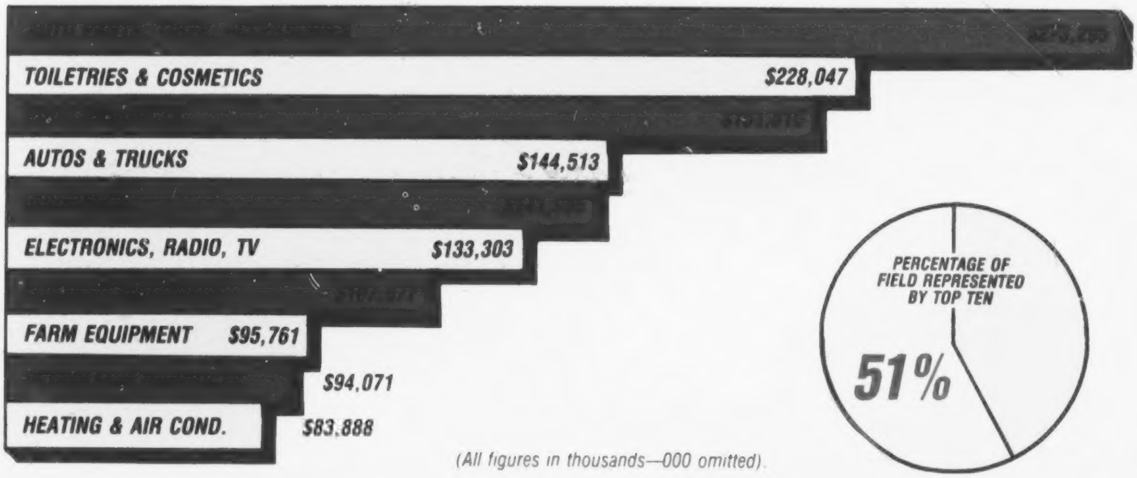
TOTAL DOLLAR VOLUME OF INCENTIVE USAGE

1982	$ 9,779,217,000
1981	$ 9,361,510,000
1980	$ 8,664,251,000
1979	$ 7,696,138,000
1978	$ 6,719,687,000
1977	$ 5,841,575,000
1976	$ 5,026,535,000
1975	$ 4,236,305,000
1974	$ 4,829,964,000
1973	$ 5,023,184,000
1972	$ 4,649,653,000
1971	$ 4,222,505,000
1970	$ 3,793,000,000
1969	$ 3,772,000,000
1968	$ 3,598,000,000
1967	$ 3,218,000,000

Source: IM survey 1967-1982

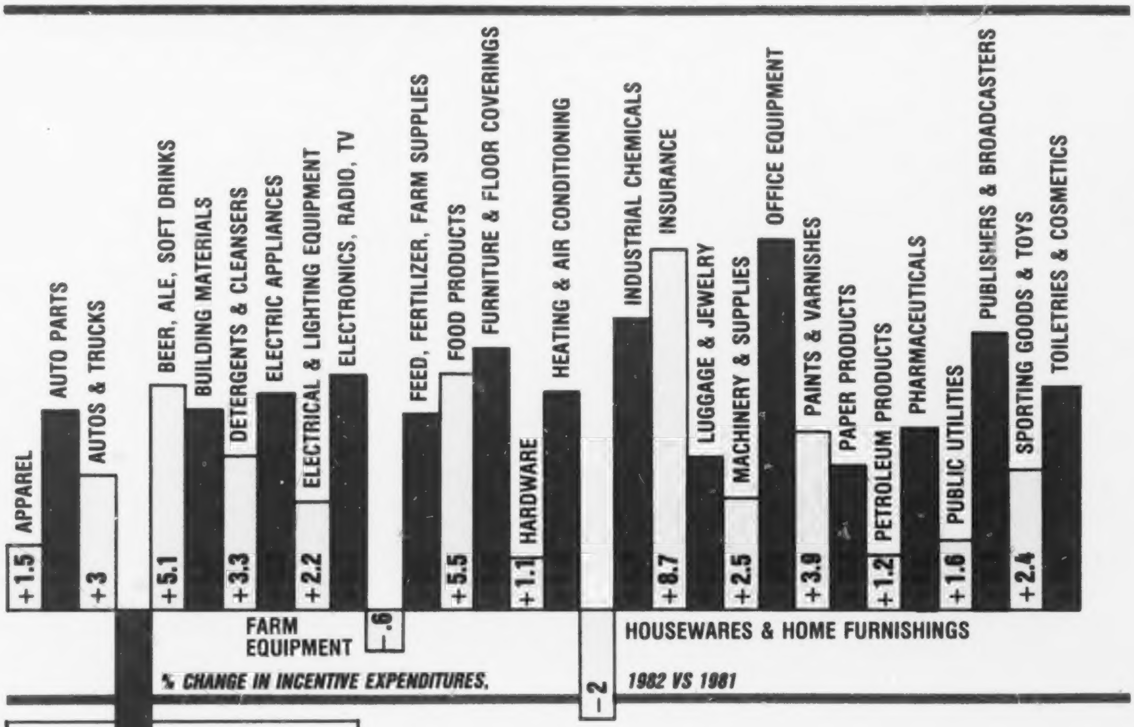
Although 1982 was a relatively flat year for advancement in application of incentive techniques—and there have been others—it is worth noting that the field has tripled in dollar expenditures in 15 years. The first FACTS survey, done in 1968, estimated '67 usage at

TOP TEN MERCHANDISE TRADE INCENTIVE USERS (1982)



(All figures in thousands—000 omitted).

HOW THE INDUSTRIES DID



% CHANGE IN INCENTIVE EXPENDITURES, 1982 VS 1981

$3,218,000,000.

Industry usage of incentives has shifted somewhat in those years, although changes have not been revolutionary. Now, as then, feeding the American public consumes the biggest part of incentive investments. Food industries account for well over $2 billion of 1982 spending for premium and incentive promotions. Retail grocers led with an estimate of $1.02 billion, followed closely by food products manufacturers at more than $958 million. Beer, ale, and soft drinks added over $137 million—and an uncertain, but large, share of the $708 million invested by distributors and wholesalers was in the food field.

The Food Products category led all manufacturing and service industries reported in the survey, as it has consistently in the past. There was relatively little change in rankings of industries as incentive users, except for the slippage of two of the three groups that reduced expenditures last year. The biggest loser, Banks and Savings & Loans declined from seventh place among all users to thirteenth. And makers of Housewares & Home Furnishings, twelfth largest user the year before, finished fourteenth in 1982.

We have what we call the "200 Millionaires' Club"—up from the Hundred Millionaires' Club to accommodate inflation. There were eight members of this group in the 1981 estimates. For 1982, with the departure of the financial institutions from the bottom of the list, seven remain. These seven industry groups accounted for about 39 percent of the 1982 total spending of $9,779,217,000:

• **Retail Grocers**	**$1,018,000,000**
• **Food Products**	**958,834,000**
• **Toiletries & Cosmetics**	**512,812,000**
• **Auto Parts, Tires, Accessories**	**445,546,000**

• **Insurance**	**346,279,000**
• **Electronics, Radio, TV**	**276,556,000**
• **Automobiles & Trucks**	**241,726,000**

The Banks and Savings & Loans category, which spent an estimated $217,254,000 on incentive promotion in 1981, dropped to $154,131,000 in the '82 reports. The financial institutions' defection had a major effect on two large categories of consumer promotion. Direct premiums, which they cut back 35 percent, would have scored an overall 3.1-percent increase instead of a 1.5-percent drop if the bankers had just stayed even for the year. In self-liquidators, they cut in half what might have been a 5.2-percent advance in 1982.

Those two types of consumer promotions account for about three-fourths of all incentive spending by financial institutions. Their only other significant expenditure is for merchandise sales incentives—internal promotions to stimulate selling effort by employees. Here they also cut back rather sharply by 15.2 percent below the 1981 level. Clearly the bankers severely curtailed all special promotion efforts when they began to hang their hopes on interest-rate advertising. And it seems likely that the full effects of this move will further reduce the incentive usage reflected in the 1983 estimates.

In most other industries, sales incentives fared better—increasing by 5.6 percent in total usage, from a 1981 estimate of $2,188,921,000 to $2,312,145,000 last year. The travel portion grew a bit faster than merchandise campaigns—by 7.1 compared with 5.2 percent. Travel last year took almost 24 percent of the total budget for motivating salespeople.

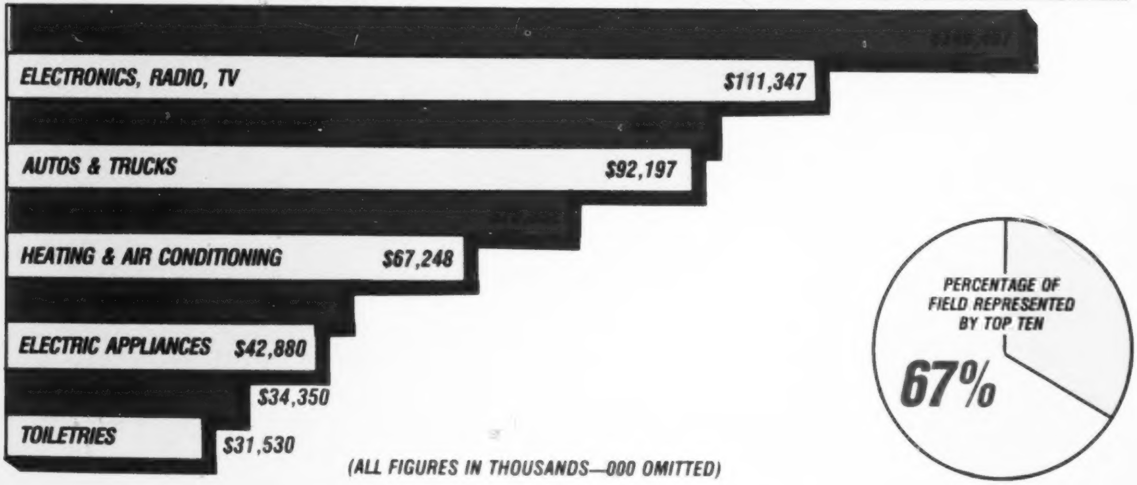
Travel also advanced a bit more on the dealer side, by 4.1 percent compared with 2.9-percent growth in merchandise promotion. And travel got a larger share of total spending, almost 34 percent. But all dealer incentive expenditure came to a 3.3-percent growth, from $1,642,531,000 to $1,697,420,000—not keeping up with either inflation or the expansion of the total incentive field.

One hint of a brighter future: Business Gift expenditures, which are made late in the year, were up 8.8%, possibly anticipating a better 1983.

Insurance and Office Equipment were, as mentioned above, the sources of most new sales incentive dollars.

In consumer promotion, mail-ins ran slightly ahead of the rest. Although self-liquidators showed an overall growth of only 2.6 percent, this is somewhat distorted by including bank promotions. If they are excluded in both years, the remaining volume—mostly representative of more conventional mail-in promotions—rose by 5.7 percent last year.

TOP TEN INCENTIVE TRAVEL USERS (1982)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

Insurance made the field's boldest move, boosting spending by 8.7%. Biggest disaster: Financial Institutions, which cut spending 29% as bankers shifted from premiums to interest rate wars.

Free mail-in offers did almost as well, up 5.5 percent over the 1981 budget. And sweepstakes accounted for 6.1 percent more in dollar outlays in 1982. The drop-off in financial institutions' use of sweepstakes—17.5 percent—was offset by growth elsewhere, most notably among Publishers, Printers & Broadcasters, whose sweepstakes usage jumped 27.5 percent.

Incentive promotion at the retail level last year ran slightly ahead of the overall average—up by five percent over 1981. All retail activity was estimated at a total of $2,008,000,000—the first time it has passed the $2 billion mark. In terms of techniques, trading stamps came in at $507 million, while all others—supermarket continuities, tape plans, direct premiums and so on—added up to about $1,501,000,000. Retail grocers accounted for the largest share, $1,018,000,000, with the remaining $990,000,000 attributed to all other types of retail businesses except banks.

With last year's slight edge in growth, sales incentives continued their gradual increase in share of the incentive field, as the largest single technique, accounting for 23.6 percent of all expenditures. Dealer incentives amounted to 17.4 percent of 1982 usage.

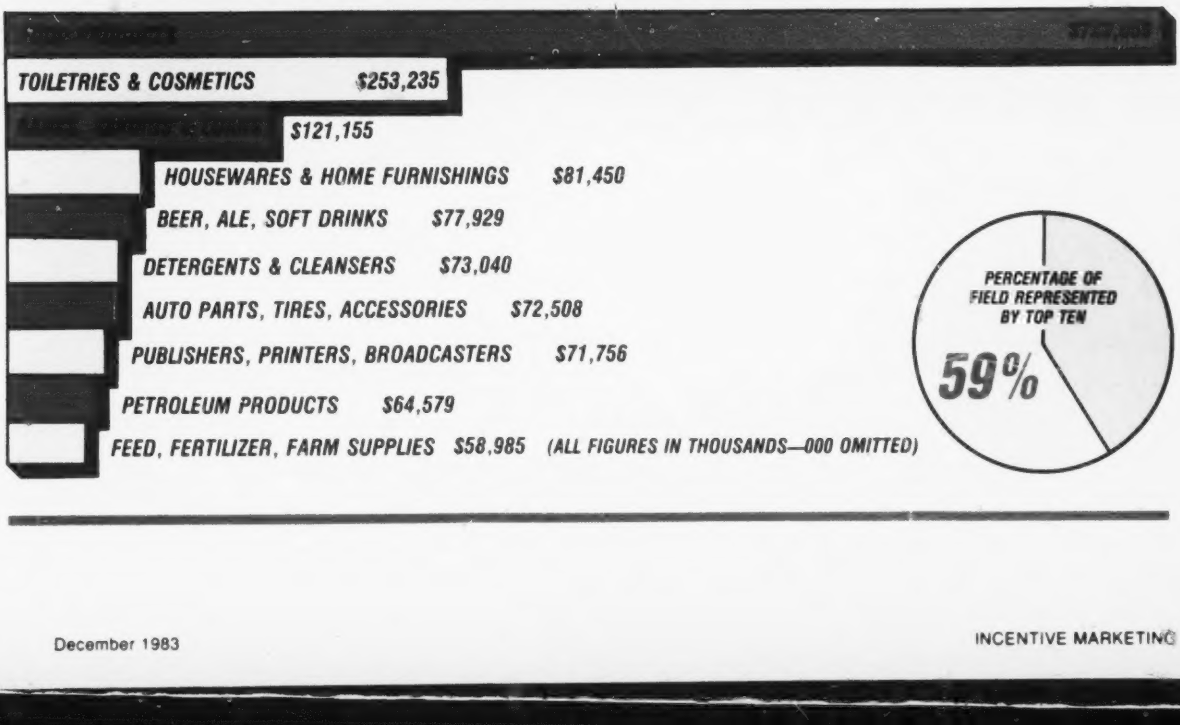
If all six consumer types other than retail are considered as a whole, they still dominate at 28.7 percent of the field. And the retail segment holds a 20.5-percent share. Business gifts last year cut a 9.8-percent slice of the pie, up from 9.4 percent the year before.

The people spending this money for incentive programs generally had little reason to be happy about any aspect of their marketing results in 1982. The economic climate took care of that. But many of them were relatively happy with the outcome of their incentive promotions—in the context of their market conditions. Their comments in many cases showed this: within the realm of the possible, incentives did what they were supposed to do.

That the possible was usually not enough in a deep recession was no reason to fault the tools that often mitigated the situation.

Most of these executives—with understandable caution—predicted they would increase their incentive spending in 1983. Indications for the year, through the first three quarters, are that they have done so—and that it may be starting to work more consistently in a less hostile environment. ■

TOP TEN CONSUMER PREMIUM USERS (1982)



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		EXPENDITURES 1982	% CHANGE PRIOR YEAR	EXPENDITURES 1981	% CHANGE PRIOR YEAR
APPAREL $36,601,000—UP 1.5%	**TRADE INCENTIVES**				
	Sales Force Incentives				
	(Merchandise)	$ 8,770,000	+ 1.1	$ 8,668,000	+ 3.0
	(Travel)	$ 2,186,000	+ 1.8	$ 2,146,000	+ 3.6
	Dealer Incentives				
	(Merchandise)	$ 6,186,000	− 0.1	$ 6,229,000	+ 1.6
	(Travel)	$ 121,000	+ 3.4	$ 117,000	− 3.4
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 5,312,000	+ 2.7	$ 5,171,000	+ 2.7
	Free Mail-Ins	$ 1,421,000	+14.6	$ 1,240,000	− 3.3
	Coupon Plans	$ 307,000	− 8.9	$ 337,000	− 6.4
	Factory Packs	$ 4,278,000	− 1.6	$ 4,346,000	− 7.1
	Direct Premiums	$ 6,089,000	+ 1.8	$ 5,980,000	− 2.7
	Sweepstakes	$ 1,931,000	+ 7.8	$ 1,791,000	+ 0.6
AUTO PARTS, TIRES, ETC. $445,546,000—UP 4.3%	**TRADE INCENTIVES**				
	Sales Force Incentives				
	(Merchandise)	$135,468,000	+ 5.6	$128,248,000	+ 4.7
	(Travel)	$ 55,824,000	+11.8	$ 49,902,000	+ 7.1
	Dealer Incentives				
	(Merchandise)	$137,827,000	+ 1.4	$135,939,000	+ 3.9
	(Travel)	$ 43,919,000	+ 3.4	$ 42,478,000	+ 7.6
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 45,204,000	+ 3.2	$ 43,783,000	+ 4.3
	Free Mail-Ins	$ 1,269,000	− 8.4	$ 1,386,000	− 3.5
	Coupon Plans	$ 1,567,000	+ 4.6	$ 1,498,000	+ 4.1
	Factory Packs	$ 1,093,000	+ 5.2	$ 1,039,000	+12.6
	Direct Premiums	$ 17,011,000	+ 4.8	$ 16,230,000	− 4.4
	Sweepstakes	$ 6,364,000	+ 1.5	$ 6,271,000	− 2.1
AUTOMOBILES & TRUCKS $241,726,000—UP 3.0%	**TRADE INCENTIVES**				
	Sales Force Incentives				
	(Merchandise)	$104,461,000	+ 3.1	$101,355,000	− 1.5
	(Travel)	$ 17,881,000	+ 5.5	$ 16,947,000	+ 4.4
	Dealer Incentives				
	(Merchandise)	$ 40,052,000	+ 2.9	$ 38,936,000	− 6.6
	(Travel)	$ 74,316,000	+ 2.1	$ 72,782,000	+ 1.9
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 612,000	+13.1	$ 541,000	−30.3
	Free Mail-Ins	$ 222,000	+ 5.2	$ 211,000	−45.0
	Coupon Plans	0	—	0	—
	Factory Packs	$ 283,000	+ 8.4	$ 261,000	−31.9
	Direct Premiums	$ 2,117,000	+ 5.7	$ 2,003,000	−35.7
	Sweepstakes	$ 1,782,000	+15.0	$ 1,550,000	−40.0
BANKS, SAVINGS & LOANS $154,131,000—DOWN 29.1%	**TRADE INCENTIVES**				
	Sales Force Incentives				
	(Merchandise)	$ 28,418,000	−15.2	$ 33,528,000	+15.0
	(Travel)	$ 2,033,000	−27.0	$ 2,785,000	+11.3
	Dealer Incentives				
	(Merchandise)	$ 2,262,000	−25.1	$ 3,021,000	+ 5.7
	(Travel)	$ 263,000	−24.9	$ 350,000	− 8.2
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 54,407,000	−28.9	$ 76,549,000	+11.3
	Free Mail-Ins	$ 1,620,000	−31.5	$ 2,365,000	+ 9.8
	Coupon Plans	0	—	0	—
	Factory Packs	0	—	0	—
	Direct Premiums	$ 60,245,000	−35.0	$ 92,737,000	+ 3.4
	Sweepstakes	$ 4,883,000	−17.5	$ 5,919,000	+11.6

		EXPENDITURES 1982	% CHANGE PRIOR YEAR	EXPENDITURES 1981	% CHANGE PRIOR YEAR
BEER, ALE, SOFT DRINKS *$137,235,000—UP 5.1%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$31,207,000	+ 4.4	$29,904,000	+10.0
	(Travel)	$ 8,011,000	+ 3.9	$ 7,713,000	+ 0.2
	Dealer Incentives				
	(Merchandise)	$15,997,000	+ 6.0	$15,089,000	+13.0
	(Travel)	$ 3,791,000	+ 3.4	$ 3,668,000	+ 3.9
	CONSUMER PREMIUMS				
	Self-Liquidators	$35,866,000	+ 5.6	$33,965,000	+16.1
	Free Mail-Ins	$ 5,358,000	+ 6.5	$ 5,032,000	+ 5.1
	Coupon Plans	$ 2,421,000	+ 1.8	$ 2,378,000	+13.5
	Factory Packs	$ 4,407,000	– 4.6	$ 4,619,000	– 4.2
	Direct Premiums	$24,817,000	+ 6.2	$23,368,000	+12.1
	Sweepstakes	$ 5,060,000	+ 3.6	$ 4,882,000	+18.6
BUILDING MATERIALS *$169,760,000—UP 4.6%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$66,204,000	+ 2.3	$64,723,000	+ 9.8
	(Travel)	$18,111,000	+ 6.7	$16,980,000	+19.8
	Dealer Incentives				
	(Merchandise)	$41,773,000	+ 4.5	$39,979,000	+ 0.4
	(Travel)	$16,239,000	+ 9.5	$14,831,000	+ 0.2
	CONSUMER PREMIUMS				
	Self-Liquidators	$11,813,000	+10.8	$10,657,000	+ 8.8
	Free Mail-Ins	$ 1,720,000	+11.4	$ 1,543,000	+ 2.1
	Coupon Plans	0	—	0	—
	Factory Packs	$ 557,000	+10.3	$ 505,000	+ 5.4
	Direct Premiums	$ 9,477,000	+ 1.2	$ 9,361,000	+ 2.6
	Sweepstakes	$ 3,866,000	+ 3.3	$ 3,743,000	+ 2.9
DETERGENTS & CLEANSERS *$139,670,000—UP 3.3%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$43,772,000	+ 4.0	$42,069,000	+10.3
	(Travel)	$ 2,034,000	+ 6.0	$ 1,919,000	+ 6.0
	Dealer Incentives				
	(Merchandise)	$20,443,000	+ 7.1	$19,080,000	+ 5.8
	(Travel)	$ 381,000	+ 9.8	$ 347,000	+ 7.7
	CONSUMER PREMIUMS				
	Self-Liquidators	$37,203,000	+ 3.3	$36,020,000	+ 7.5
	Free Mail-Ins	$ 6,481,000	+ 3.8	$ 6,245,000	+ 3.7
	Coupon Plans	$ 6,551,000	+ 3.0	$ 6,360,000	+ 5.1
	Factory Packs	$ 7,989,000	+ 3.6	$ 7,713,000	+ 2.7
	Direct Premiums	$12,327,000	+ 6.5	$11,571,000	+ 6.7
	Sweepstakes	$ 2,489,000	+ 6.5	$ 2,337,000	+ 8.6
ELECTRIC APPLIANCES *$105,456,000—UP 5.1%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$19,208,000	+ 6.3	$18,068,000	+ 7.6
	(Travel)	$ 8,242,000	+ 3.2	$ 7,989,000	+ 0.8
	Dealer Incentives				
	(Merchandise)	$20,023,000	+ 8.0	$18,543,000	+13.1
	(Travel)	$34,638,000	+ 4.6	$33,127,000	+ 4.0
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 6,283,000	+ 3.5	$ 6,070,000	+ 3.3
	Free Mail-Ins	$ 5,318,000	+ 0.8	$ 5,274,000	– 1.5
	Coupon Plans	$ 534,000	+ 4.7	$ 510,000	+ 5.3
	Factory Packs	$ 576,000	+11.2	$ 518,000	+19.9
	Direct Premiums	$ 9,143,000	+ 3.0	$ 8,870,000	+ 2.7
	Sweepstakes	$ 1,491,000	+11.9	$ 1,332,000	+10.2

		EXPENDITURES 1982	*% CHANGE PRIOR YEAR*	*EXPENDITURES 1981*	*% CHANGE PRIOR YEAR*
ELECTRICAL & LIGHTING EQUIP. *$64,871,000—UP 2.2%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$13,102,000	+ 2.7	$12,752,000	+10.7
	(Travel)	$ 6,006,000	+ 1.7	$ 5,904,000	+ 2.1
	Dealer Incentives				
	(Merchandise)	$26,041,000	+ 3.4	$25,184,000	+ 5.1
	(Travel)	$ 8,330,000	+ 0.7	$ 8,266,000	+ 2.7
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 1,821,000	+ 3.5	$ 1,760,000	+ 5.4
	Free Mail-Ins	$ 534,000	−18.4	$ 654,000	− 3.3
	Coupon Plans	$ 3,673,000	+ 0.4	$ 3,610,000	− 1.9
	Factory Packs	$ 1,081,000	+ 3.1	$ 1,048,000	+ 6.5
	Direct Premiums	$ 1,530,000	+ 2.5	$ 1,492,000	+ 2.4
	Sweepstakes	$ 2,803,000	+ 1.0	$ 2,776,000	+ 4.0
ELECTRONICS, RADIO, TV *$276,556,000—UP 5.7%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$98,361,000	+ 7.9	$91,157,000	+ 8.5
	(Travel)	$33,011,000	+ 9.6	$30,108,000	+11.6
	Dealer Incentives				
	(Merchandise)	$34,942,000	+ 3.3	$33,839,000	+14.6
	(Travel)	$78,336,000	+ 2.7	$76,267,000	+ 9.2
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 5,318,000	+ 3.6	$ 5,132,000	+ 4.7
	Free Mail-Ins	$ 3,222,000	+ 1.8	$ 3,164,000	+ 5.7
	Coupon Plans	$ 6,031,000	+ 3.6	$ 5,822,000	+ 6.6
	Factory Packs	$ 1,604,000	+ 5.3	$ 1,523,000	+23.8
	Direct Premiums	$12,117,000	+ 7.4	$11,285,000	+10.1
	Sweepstakes	$ 3,614,000	+ 6.2	$ 3,403,000	+ 6.2
FARM EQUIPMENT *$180,737,000—DOWN 0.6%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$24,881,000	− 1.6	$25,376,000	−10.9
	(Travel)	$21,715,000	+ 1.4	$21,406,000	+14.2
	Dealer Incentives				
	(Merchandise)	$70,880,000	− 2.1	$73,403,000	+ 3.2
	(Travel)	$53,617,000	+ 0.8	$53,195,000	+ 2.3
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 2,099,000	+ 3.1	$ 2,035,000	+ 4.4
	Free Mail-Ins	$ 955,000	+ 3.7	$ 921,000	− 6.9
	Coupon Plans	0	—	0	—
	Factory Packs	$ 1,080,000	+ 7.4	$ 1,006,000	+ 2.6
	Direct Premiums	$ 3,921,000	+ 0.6	$ 3,897,000	−10.6
	Sweepstakes	$ 1,589,000	− 1.9	$ 1,619,000	−11.9
FEED, FERTILIZER, FARM SUP. *$146,331,000—UP 4.2%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$24,121,000	− 5.0	$23,256,000	+ 6.2
	(Travel)	$ 9,717,000	+ 1.5	$ 9,574,000	+ 1.7
	Dealer Incentives				
	(Merchandise)	$39,103,000	+ 3.6	$37,745,000	− 2.4
	(Travel)	$16,233,000	+ 6.0	$15,307,000	+ 1.5
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 8,683,000	+ 5.2	$ 8,251,000	+ 0.2
	Free Mail-Ins	$ 3,372,000	+ 5.3	$ 3,202,000	−10.5
	Coupon Plans	$21,628,000	+ 3.0	$20,988,000	+10.7
	Factory Packs	$ 3,550,000	+ 5.0	$ 3,381,000	+ 2.2
	Direct Premiums	$18,102,000	+ 6.9	$16,930,000	− 2.0
	Sweepstakes	$ 1,822,000	+ 2.0	$ 1,785,000	− 8.3

		EXPENDITURES 1982	% CHANGE PRIOR YEAR	EXPENDITURES 1981	% CHANGE PRIOR YEAR
FOOD PRODUCTS *$958,834,000—UP 5.5%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 88,274,000	+10.0	$ 80,188,000	+ 9.8
	(Travel)	$ 16,044,000	+10.8	$ 14,479,000	+12.5
	Dealer Incentives				
	(Merchandise)	$ 73,536,000	+ 2.5	$ 71,721,000	+10.2
	(Travel)	$ 5,921,000	+ 4.8	$ 5,652,000	+11.8
	CONSUMER PREMIUMS				
	Self-Liquidators	$206,411,000	+ 8.4	$190,369,000	+ 8.9
	Free Mail-Ins	$196,525,000	+ 5.6	$186,166,000	+ 8.4
	Coupon Plans	$ 92,116,000	+ 2.4	$ 89,952,000	+ 7.9
	Factory Packs	$213,773,000	+ 2.5	$208,566,000	+ 5.8
	Direct Premiums	$ 39,211,000	+ 8.6	$ 36,097,000	+ 8.3
	Sweepstakes	$ 27,023,000	+10.9	$ 24,375,000	+21.4
FURNITURE, FLOOR COVERINGS *$63,393,000—UP 5.9%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 10,611,000	+12.4	$ 9,444,000	+ 7.6
	(Travel)	$ 3,035,000	+ 6.3	$ 2,854,000	+ 5.5
	Dealer Incentives				
	(Merchandise)	$ 26,883,000	+ 6.0	$ 25,348,000	+ 8.4
	(Travel)	$ 13,468,000	+ 2.5	$ 13,142,000	+11.1
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 2,744,000	+ 2.8	$ 2,670,000	+ 9.5
	Free Mail-Ins	$ 983,000	+ 8.5	$ 906,000	− 3.5
	Coupon Plans	0	—	0	—
	Factory Packs	$ 854,000	+ 3.3	$ 827,000	− 5.1
	Direct Premiums	$ 2,881,000	+ 1.8	$ 2,830,000	+ 3.4
	Sweepstakes	$ 1,934,000	+ 6.1	$ 1,822,000	+ 5.3
HARDWARE *$24,306,000—UP 1.1%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 6,247,000	+ 2.4	$ 6,103,000	+10.1
	(Travel)	$ 1,688,000	+ 3.4	$ 1,633,000	+ 6.8
	Dealer Incentives				
	(Merchandise)	$ 7,411,000	+ 0.5	$ 7,375,000	+ 3.7
	(Travel)	$ 652,000	− 3.3	$ 674,000	+12.0
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 1,582,000	+ 2.5	$ 1,543,000	+ 6.1
	Free Mail-Ins	$ 1,188,000	− 1.5	$ 1,206,000	− 2.0
	Coupon Plans	0	—	0	—
	Factory Packs	$ 1,054,000	− 3.0	$ 1,086,000	+ 7.7
	Direct Premiums	$ 2,744,000	+ 1.0	$ 2,716,000	+ 8.5
	Sweepstakes	$ 1,740,000	+ 3.1	$ 1,688,000	+ 3.1
HEATING, AIR CONDITIONING *$163,868,000—UP 5.0%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 23,033,000	+ 6.4	$ 21,646,000	+19.7
	(Travel)	$ 30,476,000	+ 8.3	$ 28,187,000	+15.0
	Dealer Incentives				
	(Merchandise)	$ 60,855,000	+ 3.1	$ 59,018,000	+ 7.3
	(Travel)	$ 36,772,000	+ 5.4	$ 34,894,000	+10.7
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 1,561,000	+ 7.8	$ 1,448,000	+ 7.7
	Free Mail-Ins	$ 566,000	+ 6.8	$ 530,000	+ 6.6
	Coupon Plans	0	—	0	—
	Factory Packs	$ 1,721,000	− 1.3	$ 1,744,000	+ 3.1
	Direct Premiums	$ 6,444,000	+ 2.0	$ 6,320,000	+ 2.8
	Sweepstakes	$ 2,440,000	+ 5.4	$ 2,315,000	+ 2.4

		EXPENDITURES 1982	% CHANGE PRIOR YEAR	EXPENDITURES 1981	% CHANGE PRIOR YEAR
HOUSEWARES, FURNISHINGS ***$152,041,000—DOWN 2.0%***	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 37,802,000	– 1.6	$ 38,418,000	+10.6
	(Travel)	$ 6,787,000	– 0.4	$ 6,816,000	+ 6.3
	Dealer Incentives				
	(Merchandise)	$ 20,614,000	– 5.5	$ 21,808,000	+21.3
	(Travel)	$ 5,388,000	– 2.1	$ 5,505,000	+ 3.3
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 2,216,000	– 2.1	$ 2,263,000	+16.0
	Free Mail-Ins	$ 1,083,000	+ 1.6	$ 1,066,000	+ 6.8
	Coupon Plans	0	—	0	—
	Factory Packs	$ 1,781,000	+ 2.2	$ 1,742,000	+ 7.9
	Direct Premiums	$ 74,749,000	– 1.7	$ 76,033,000	+10.9
	Sweepstakes	$ 1,621,000	+ 4.4	$ 1,552,000	+ 8.1
INDUSTRIAL CHEMICALS ***$59,920,000—UP 6.8%***	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 11,021,000	+11.5	$ 9,881,000	+10.1
	(Travel)	$ 4,227,000	+ 8.1	$ 3,910,000	+ 9.3
	Dealer Incentives				
	(Merchandise)	$ 24,178,000	+ 6.0	$ 22,819,000	+11.1
	(Travel)	$ 5,467,000	+ 3.2	$ 5,296,000	+14.0
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 1,211,000	+11.3	$ 1,088,000	+ 9.1
	Free Mail-Ins	$ 1,044,000	+ 5.9	$ 986,000	+ 9.1
	Coupon Plans	$ 7,833,000	+ 2.5	$ 7,644,000	+ 6.4
	Factory Packs	$ 1,221,000	+17.1	$ 1,043,000	+14.2
	Direct Premiums	$ 2,681,000	+ 5.9	$ 2,532,000	+ 6.4
	Sweepstakes	$ 1,037,000	+13.3	$ 915,000	+13.2
INSURANCE ***$346,279,000—UP 8.7%***	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$133,118,000	+ 8.8	$122,391,000	+10.9
	(Travel)	$110,266,000	+ 8.4	$101,698,000	+11.2
	Dealer Incentives				
	(Merchandise)	$ 8,817,000	+ 9.9	$ 8,024,000	+ 8.9
	(Travel)	$ 38,201,000	+10.9	$ 34,432,000	+17.7
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 1,834,000	+ 9.0	$ 1,682,000	+10.1
	Free Mail-Ins	$ 42,820,000	+ 8.0	$ 39,642,000	+12.1
	Coupon Plans	0	—	0	—
	Factory Packs	0	—	0	—
	Direct Premiums	$ 6,787,000	+ 4.9	$ 6,472,000	+13.5
	Sweepstakes	$ 4,436,000	+ 5.1	$ 4,219,000	+15.0
LUGGAGE, JEWELRY, ACCESSORIES ***$17,357,000—UP 3.1%***	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 5,484,000	+ 8.1	$ 5,073,000	+10.4
	(Travel)	$ 1,893,000	+ 1.6	$ 1,864,000	+12.2
	Dealer Incentives				
	(Merchandise)	$ 3,589,000	– 2.3	$ 3,673,000	+16.7
	(Travel)	$ 461,000	+ 6.5	$ 433,000	+ 9.1
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 2,211,000	+ 5.2	$ 2,102,000	+ 5.9
	Free Mail-Ins	$ 403,000	– 4.0	$ 420,000	+ 7.4
	Coupon Plans	0	—	0	—
	Factory Packs	$ 255,000	+10.4	$ 231,000	+14.4
	Direct Premiums	$ 1,681,000	+ 2.9	$ 1,633,000	+ 8.6
	Sweepstakes	$ 1,380,000	– 1.9	$ 1,407,000	– 2.5

		EXPENDITURES 1982	*% CHANGE PRIOR YEAR*	*EXPENDITURES 1981*	*% CHANGE PRIOR YEAR*
MACHINERY & SUPPLIES *$75,919,000—UP 2.5%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$38,304,000	+ 1.1	$37,890,000	+12.3
	-(Travel)	$18,211,000	+ 5.9	$17,197,000	+ 7.4
	Dealer Incentives				
	(Merchandise)	$ 5,131,000	+ 0.7	$ 5,097,000	+10.2
	(Travel)	$ 5,792,000	+ 2.7	$ 5,641,000	+10.7
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 2,521,000	+ 3.5	$ 2,435,000	+ 4.5
	Free Mail-Ins	$ 488,000	+ 5.9	$ 461,000	+11.4
	Coupon Plans	0	—	0	—
	Factory Packs	$ 539,000	− 3.2	$ 557,000	+ 5.1
	Direct Premiums	$ 3,141,000	+ 2.2	$ 3,072,000	+ 9.3
	Sweepstakes	$ 1,792,000	+ 5.2	$ 1,704,000	+18.5
OFFICE EQUIPMENT *$162,442,000—UP 8.5%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$35,106,000	+20.9	$29,047,000	+11.5
	(Travel)	$38,219,000	+ 6.1	$36,005,000	+11.7
	Dealer Incentives				
	(Merchandise)	$18,911,000	+ 4.9	$18,030,000	+12.0
	(Travel)	$11,221,000	+ 8.4	$10,352,000	+ 9.3
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 3,861,000	+ 4.4	$ 3,697,000	+11.8
	Free Mail-Ins	$ 2,010,000	+ 6.3	$ 1,890,000	+ 8.7
	Coupon Plans	$ 3,208,000	+ 6.4	$ 3,014,000	+ 9.0
	Factory Packs	$11,614,000	+ 7.9	$10,765,000	+10.5
	Direct Premiums	$35,811,000	+ 3.6	$34,563,000	+12.2
	Sweepstakes	$ 2,481,000	+ 6.2	$ 2,337,000	+19.5
PAINTS & VARNISHES *$38,663,000—UP 3.9%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 9,168,000	+ 2.0	$ 8,984,000	+10.9
	(Travel)	$ 2,922,000	+ 7.7	$ 2,713,000	+11.7
	Dealer Incentives				
	(Merchandise)	$ 7,034,000	+ 3.2	$ 6,815,000	+13.5
	(Travel)	$ 6,779,000	+ 8.7	$ 6,234,000	+ 9.7
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 7,773,000	+ 2.7	$ 7,572,000	+11.1
	Free Mail-Ins	$ 620,000	− 3.1	$ 640,000	+ 8.7
	Coupon Plans	$ 621,000	− 8.8	$ 681,000	+ 7.9
	Factory Packs	$ 791,000	+12.7	$ 702,000	+ 6.0
	Direct Premiums	$ 2,411,000	+ 2.9	$ 2,344,000	+13.0
	Sweepstakes	$ 544,000	+ 5.4	$ 516,000	+17.3
PAPER PRODUCTS & PACKAGING *$47,270,000—UP 3.3%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 6,473,000	+ 1.9	$ 6,352,000	+11.0
	(Travel)	$ 6,397,000	+ 3.9	$ 6,159,000	+ 9.5
	Dealer Incentives				
	(Merchandise)	$ 7,482,000	+ 2.5	$ 7,302,000	+10.0
	(Travel)	$ 3,115,000	+ 6.8	$ 2,918,000	+11.7
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 6,674,000	+ 2.8	$ 6,494,000	+13.4
	Free Mail-Ins	$ 4,675,000	+ 3.3	$ 4,525,000	+10.5
	Coupon Plans	$ 6,404,000	+ 1.9	$ 6,283,000	+11.0
	Factory Packs	$ 3,271,000	+ 7.8	$ 3,033,000	+11.6
	Direct Premiums	$ 961,000	+ 4.3	$ 921,000	+ 4.9
	Sweepstakes	$ 1,818,000	+ 2.9	$ 1,766,000	+11.1

		EXPENDITURES 1982	% CHANGE PRIOR YEAR	EXPENDITURES 1981	% CHANGE PRIOR YEAR
PETROLEUM PRODUCTS $171,912,000—UP 1.2%	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$40,669,000	+ 1.7	$39,989,000	− 3.4
	(Travel)	$ 6,444,000	+ 1.1	$ 6,371,000	− 4.9
	Dealer Incentives				
	(Merchandise)	$53,402,000	+ 2.3	$52,177,000	− 5.2
	(Travel)	$ 6,818,000	+ 3.1	$ 6,613,000	+ 1.6
	CONSUMER PREMIUMS				
	Self-Liquidators	$16,774,000	− 2.2	$17,153,000	− 4.9
	Free Mail-Ins	$ 2,094,000	− 4.0	$ 2,181,000	−12.5
	Coupon Plans	$ 3,081,000	− 0.7	$ 3,103,000	+ 2.7
	Factory Packs	$ 1,582,000	+ 4.0	$ 1,521,000	+ 1.9
	Direct Premiums	$34,217,000	+ 1.1	$33,834,000	−10.9
	Sweepstakes	$ 6,831,000	− 1.8	$ 6,955,000	+ 3.7
PHARMACEUTICALS $93,480,000—UP 4.7%	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$33,401,000	+ 4.1	$32,090,000	+10.4
	(Travel)	$ 8,739,000	+ 2.8	$ 8,505,000	+10.8
	Dealer Incentives				
	(Merchandise)	$14,643,000	− 0.6	$13,319,000	+12.7
	(Travel)	$ 5,481,000	+ 4.6	$ 5,239,000	+ 9.3
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 9,436,000	+ 4.6	$ 9,025,000	+ 7.4
	Free Mail-Ins	$ 2,838,000	+ 7.3	$ 2,646,000	+11.8
	Coupon Plans	$ 3,721,000	+ 3.3	$ 3,603,000	+12.0
	Factory Packs	$ 6,616,000	+ 2.9	$ 6,428,000	+ 9.7
	Direct Premiums	$ 6,934,000	+ 1.3	$ 6,843,000	+ 7.3
	Sweepstakes	$ 1,671,000	+ 6.6	$ 1,567,000	+11.6
PUBLIC UTILITIES $15,685,000—UP 1.6%	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 3,809,000	+ 2.4	$ 3,720,000	+ 0.1
	(Travel)	$ 1,843,000	+ 4.4	$ 1,765,000	+ 2.2
	Dealer Incentives				
	(Merchandise)	$ 2,103,000	+ 1.6	$ 2,069,000	+10.3
	(Travel)	$ 242,000	+14.7	$ 211,000	−21.0
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 1,734,000	+ 3.2	$ 1,681,000	− 6.7
	Free Mail-Ins	$ 1,680,000	− 4.3	$ 1,756,000	− 2.2
	Coupon Plans	0	—	0	—
	Factory Packs	0	—	0	—
	Direct Premiums	$ 3,722,000	+ 1.8	$ 3,656,000	− 6.0
	Sweepstakes	$ 552,000	− 4.8	$ 580,000	− 4.7
PUBLISHERS, BROADCASTERS $156,319,000—UP 6.3%	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$64,226,000	+ 6.1	$60,534,000	+12.4
	(Travel)	$ 8,437,000	+ 4.0	$ 8,112,000	+11.3
	Dealer Incentives				
	(Merchandise)	$ 8,158,000	+ 3.1	$ 7,910,000	+ 8.3
	(Travel)	$ 3,742,000	+ 9.6	$ 3,413,000	+12.4
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 7,533,000	+ 4.0	$ 7,246,000	+11.0
	Free Mail-Ins	$ 5,484,000	+ 4.1	$ 5,267,000	+ 4.9
	Coupon Plans	$ 821,000	+ 4.2	$ 788,000	+13.0
	Factory Packs	$ 4,631,000	+ 3.6	$ 4,470,000	+ 9.2
	Direct Premiums	$41,473,000	+ 3.6	$40,034,000	+ 6.3
	Sweepstakes	$11,814,000	+27.5	$ 9,269,000	+27.4

		EXPENDITURES 1982	% CHANGE PRIOR YEAR	EXPENDITURES 1981	% CHANGE PRIOR YEAR
SPORTING GOODS & TOYS *$34,860,000—UP 2.4%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$ 6,173,000	+ 2.4	$ 6,027,000	+12.2
	(Travel)	$ 4,436,000	+ 4.9	$ 4,227,000	+ 9.8
	Dealer Incentives				
	(Merchandise)	$ 6,809,000	+ 0.8	$ 6,753,000	+11.4
	(Travel)	$ 3,234,000	+ 5.5	$ 3,065,000	+ 9.6
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 6,361,000	+ 2.5	$ 6,205,000	+14.4
	Free Mail-Ins	$ 134,000	− 8.2	$ 146,000	+ 9.8
	Coupon Plans	$ 124,000	− 6.8	$ 133,000	+18.8
	Factory Packs	$ 1,020,000	+ 2.9	$ 991,000	+12.4
	Direct Premiums	$ 6,081,000	+ 1.3	$ 6,003,000	+ 6.5
	Sweepstakes	$ 488,000	− 2.6	$ 501,000	+16.2
TOILETRIES & COSMETICS *$512,812,000—UP 4.6%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$164,273,000	+ 4.6	$157,116,000	+12.2
	(Travel)	$ 23,126,000	+15.2	$ 20,067,000	+ 6.9
	Dealer Incentives				
	(Merchandise)	$ 63,774,000	+ 4.0	$ 61,295,000	+10.4
	(Travel)	$ 8,404,000	+ 2.5	$ 8,196,000	+12.2
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 92,684,000	+ 3.1	$ 89,890,000	+15.6
	Free Mail-Ins	$ 15,122,000	+ 7.4	$ 14,081,000	+17.0
	Coupon Plans	$ 11,556,000	+ 7.8	$ 10,718,000	+17.3
	Factory Packs	$ 43,220,000	+ 4.5	$ 41,340,000	+10.2
	Direct Premiums	$ 75,466,000	+ 3.1	$ 73,172,000	+ 9.9
	Sweepstakes	$ 15,187,000	+ 6.4	$ 14,270,000	+21.5
MISCELLANEOUS INDUSTRIES *$911,607,000—UP 5.3%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$211,364,000	+ 6.2	$199,003,000	+ 4.2
	(Travel)	$ 56,884,000	+ 6.3	$ 53,505,000	+ 5.7
	Dealer Incentives				
	(Merchandise)	$157,142,000	+ 4.0	$151,122,000	+ 4.8
	(Travel)	$ 70,444,000	+ 4.6	$ 67,331,000	+ 5.9
	CONSUMER PREMIUMS				
	Self-Liquidators	$ 92,819,000	+ 5.2	$ 88,263,000	+ 3.2
	Free Mail-Ins	$ 67,123,000	+ 6.4	$ 63,075,000	+ 5.0
	Coupon Plans	$ 37,322,000	+ 9.1	$ 34,196,000	+ 4.4
	Factory Packs	$ 47,917,000	+ 4.6	$ 45,806,000	− 2.8
	Direct Premiums	$132,656,000	+ 3.8	$127,748,000	− 1.7
	Sweepstakes	$ 37,936,000	+ 5.8	$ 35,854,000	+ 8.6
DISTRIBUTORS, WHOLESALERS *$708,630,000—UP 6.3%*	***TRADE INCENTIVES***				
	Sales Force Incentives				
	(Merchandise)	$234,364,000	+ 5.9	$221,390,000	+ 5.2
	(Travel)	$ 16,407,000	+ 9.2	$ 15,031,000	+ 8.3
	Dealer Incentives				
	(Merchandise)	$ 96,692,000	+ 4.1	$ 92,882,000	+ 4.9
	(Travel)	$ 12,941,000	+ 7.7	$ 12,011,000	+11.2
	CONSUMER PREMIUMS				
	Self-Liquidators	$192,561,000	+ 6.7	$180,399,000	+ 5.3
	Free Mail-Ins	$ 3,669,000	+ 6.6	$ 3,433,000	+ 4.9
	Coupon Plans	$ 88,533,000	+ 4.8	$ 84,474,000	+ 4.8
	Factory Packs	$ 22,343,000	+16.6	$ 19,162,000	+ 8.0
	Direct Premiums	$ 31,840,000	+ 9.5	$ 29,081,000	+ 8.4
	Sweepstakes	$ 9,280,000	+ 4.1	$ 8,915,000	+ 6.0

Sales Incentives

American business increased its spending on sales force incentives by 5.6% in 1982, for a total volume of $2,312,145,000. It was below forecast but, in the context of the times, a not altogether disappointing performance.

Motivating a sales force was something of an uphill battle in 1982. Sales resistance in most industries was at the highest level in years. Salespeople had to work harder—and thus incentives had to work much harder.

Sales incentive activity by American business in 1982 did not live up to its advance notices in expenditure, but paced the total field with a 5.6-percent growth in dollars over the 1981 rate. Users of these techniques in 1981 had forecast an estimated 8.5-percent increase for '82.

The year's spending came to a new high of $2,312,145,000—about a $123-million gain. Merchandise incentive campaigns accounted for spending of $1,760,893,000, up 5.2 percent. Travel programs advanced more—7.1 percent, to $551,252,000.

Recession exacted a toll in the effectiveness of sales incentive programs, in absolute terms. Results dropped by three to four points, in percentage sales increase, from the 1981 records. But, in the context of the times, results must be judged relatively good, and the comments of many users in the **IM** survey indicated they read them that way. Even those who achieved no sales gains at all often credited their incentive campaigns with preventing worse performance. In the 1982 climate, staying even or minimizing losses could be evaluated as success.

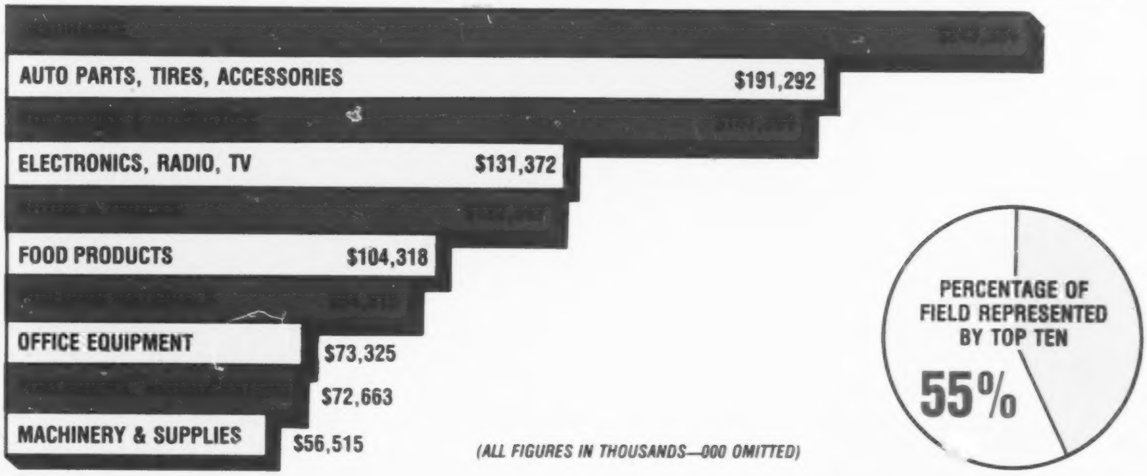
In volume of usage, sales incentives outdid most of the field. Their 5.6-percent increase compares with 3.3 percent for dealer incentives and 2.5 percent for manufacturers' consumer promotions. Only business gifts did better, with an 8.8-percent expansion.

History tells us that sales incentives may be expected to shine during a recession. They represent the key to solving at least some of the problems marketers encounter. They provide the means to direct and orchestrate promotional efforts in ways that will do the most good when conventional approaches weaken. Their "shine," however, is relative—and not everlasting.

In the mid-'70s recession, for example, sales incentives did better than the premium and incentive field overall, both in 1974 and '75. But better was not terribly good. In '74, when the total field declined by 3.8 percent in usage, sales incentives showed a small increase—2.9 percent. The following year, when the total dropped another 12.3 percent, sales incentives were distinguished mainly by being the only segment to avoid double-digit decline—they were off 9.1 percent from the previous period.

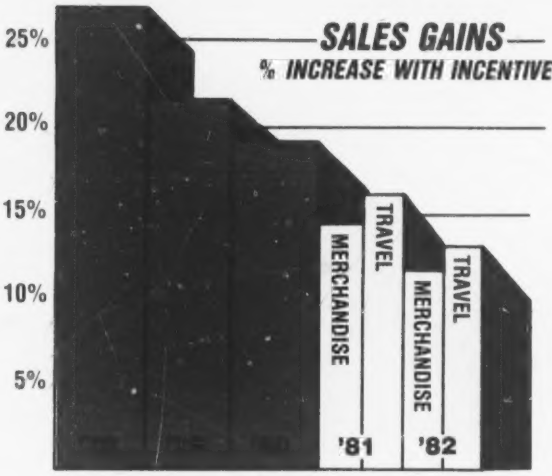
In that context, this recession presents a relatively bright picture for incentive use. It appears the timing has been such that there will not be a

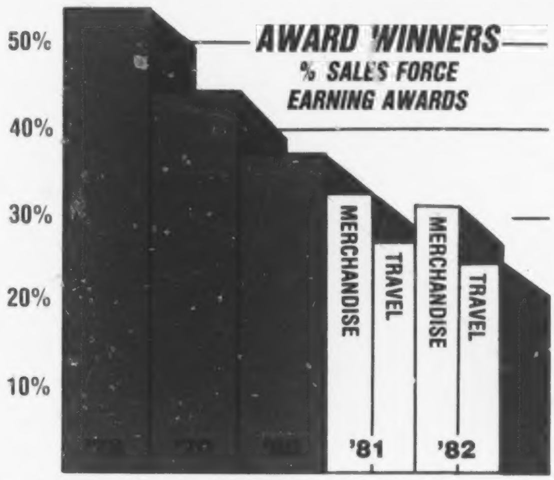
TOP TEN SALES INCENTIVE USERS (1982)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

IM FACTS REPORT





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second year of lagging activity, as there was in 1974-75. The beginnings of a recovery early in 1983 suggest a fairly active, healthy outlook for this year. Sales incentives are expected to set the pace, when all the estimates are in.

Industries that are the principal users of sales force programs did not change materially in 1982. Insurance companies continued to be the top users, spending more than $50 million over the runner-up industry, Auto Parts, Tires and Accessories. Insurance also contributed the greatest dollar increase in spending, more than $19 million, even though its percentage growth was not the greatest; that industry boosted its investment for sales incentives by 8.6 percent in 1982.

Four other industry groups accelerated more rapidly, however. Office Equipment made the largest advance, adding 12.7 percent to its sales incentive budget last year. An 11-percent increase was recorded by Furniture and Floor Coverings. Industrial Chemicals were up 10.6 percent, and Food Products spent 10.2 percent more for sales incentives than in 1981. Of these growth areas, two—Food Products and Office Equipment—are in the Top Ten group of industries.

The only change in the Top Ten last year was a minor shift of position—with the fast-growing Office Equipment category taking over eighth position at the expense of Publishers, Printers and Broadcasters. Here, with their 1982 expenditure estimates, are the Top Ten sales incentive users:

• **Insurance**	**$243,384,000**
• **Auto Parts, Tires & Accessories**	**191,292,000**
• **Toiletries & Cosmetics**	**187,399,000**
• **Electronics, Radio & TV**	**131,372,000**
• **Automobiles & Trucks**	**122,342,000**
• **Food Products**	**104,318,000**
• **Building Materials**	**84,315,000**
• **Office Equipment**	**73,325,000**
• **Publishers, Printers & Broadcasters**	**72,663,000**
• **Machinery & Supplies**	**56,515,000**

Besides the large Insurance group, increasing its spending by 8.6 percent, and the four industries noted spending more than 10 percent above their 1981 levels, one other category reported expenditures significantly above average—the Electronics, Radio and TV group, which increased in sales incentive spending by 8.3 percent.

Although travel campaigns grew more than merchandise in the overall totals, four of those six large-increase groups made their biggest spending advances in the merchandise column. In the case of Insurance, the difference was not great—up 8.8 percent for merchandise and 8.4 percent for travel. In the other cases, Industrial Chemicals increased their merchandise spending by 11.5 percent, compared with 8.1 for travel; Furniture & Floor Coverings, 12.4 percent merchandise, 6.3 percent travel; and Office Equipment added 20.9 percent in merchandise dollars, against 6.1 percent on the travel side.

Three industries reported a net reduction in their outlay for sales incentives last year—Farm Equipment, off by just 0.5 percent; Housewares and Home Furnishings, down 1.4 percent; and Banks and Savings & Loans, dropping 15.4 percent below their 1981 spending level.

For all industries, the 1982 trends looked like this:

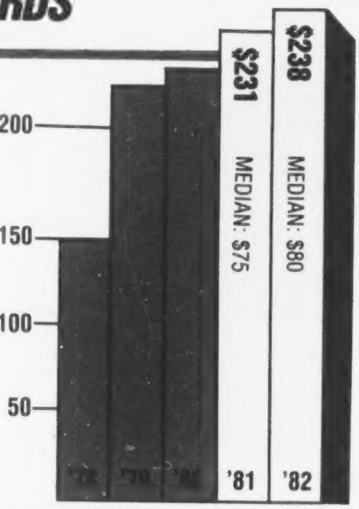
• **Apparel**	**+ 1.3%**
• **Auto Parts, Tires & Accessories**	**+ 7.4%**
• **Automobiles & Trucks**	**+ 3.4%**
• **Banks and Savings & Loans**	**−16.1%**
• **Beer, Ale & Soft Drinks**	**+ 4.3%**
• **Building Materials**	**+ 3.2%**
• **Detergents & Cleansers**	**+ 4.1%**
• **Electric Appliances**	**+ 5.3%**
• **Electrical & Lighting Equipment**	**+ 2.4%**
• **Electronics, Radio & TV**	**+ 8.3%**
• **Farm Equipment**	**− 0.5%**

• Feed, Fertilizer & Farm Supplies	+ 3.1%
• Food Products	+10.2%
• Furniture & Floor Coverings	+11.0%
• Hardware	+ 2.6%
• Heating & Air Conditioning	+ 7.4%
• Housewares & Home Furnishings	− 1.4%
• Industrial Chemicals	+10.6%
• Insurance	+ 8.6%
• Luggage, Jewelry & Accessories	+ 6.3%
• Machinery & Supplies	+ 2.6%
• Office Equipment	+12.7%
• Paints & Varnishes	+ 3.4%
• Paper Products & Packaging	+ 2.9%
• Petroleum Products	+ 1.6%
• Pharmaceuticals	+ 3.8%
• Public Utilities	+ 3.0%
• Publishers, Printers & Broadcasters	+ 5.9%
• Sporting Goods/Toys	+ 3.5%
• Toiletries & Cosmetics	+ 5.8%
• Miscellaneous Industries	+ 6.2%
• Distributors & Wholesalers	+ 6.1%

Although the industry increases in usage are small in many cases, it is clear that numbers of users nevertheless spent more in relation to their lagging sales during 1982. If total sales are down, even a fractional rise in promotion becomes a major effort. Did it pay off for those who did it last year? The prevailing answer seems to be a qualified yes.

MERCHANDISE AWARDS

Users held the line on merchandise awards, spending nearly identical dollar amounts per award in both 1981 and 1982.



While there are many reasons to use sales force incentives, the common denominator objective is usually an overall increase in sales volume. Whatever other goals they report in the surveys, that is the constant for at least three out of every four executives responding. And increase in sales during the promotional campaign is a major measurement of results.

The average percentage sales gain in 1982, for those who did enjoy an increase, dropped quite a bit from previous years' experience—and for the first time in recent history substantial numbers of companies reported no gains and sometimes actual losses during the promotions.

About one user in eight (12 percent) came up with a zero or worse on the bottom line in sales incentive programs during 1982, the survey found among users of merchandise awards. Those who run incentive trips had even weaker results overall—with 17 percent experiencing no sales gain.

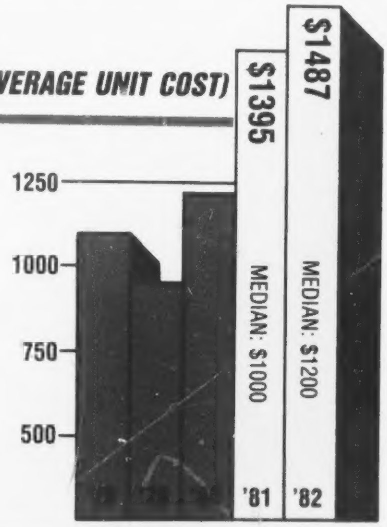
For many this was not a major disappointment; their incentive programs prevented a bad situation from being worse—either held the line against a threatened sales loss, or minimized the declines that did occur in their sales curves for the recession year. Clearly, in their evaluation, without the incentives their positions would have been much worse.

In past surveys, such results have been very few, and these responses were simply entered as zero in calculating the averages. This survey's average sales effectiveness reports include only those who did achieve some increase in sales volume. Even so, the averages are down from 1981 figures.

Among users of merchandise incentives for salespeople, sales increases averaged only 11 percent in '82—

TRAVEL AWARDS (AVERAGE UNIT COST)

Sales increases were below a year ago, and fewer people won awards. But one thing doesn't change: the cost of awards goes up.



compared with 14 percent reported in the comparable study a year before. Travel users came out a shade better, at 12 percent, but had farther to fall, from a 16 percent average increment in 1981.

Although last year's programs realized a lower yield in sales volume, participation held up relatively well. The average percentage of eligible people earning awards dropped only one point from the 1981 figure. Qualification levels for individual salespeople evidently were adjusted to take the recession into account, so that nearly as many earned awards as in the past, even though the total sales results were less impressive.

Overall participation averages 32 percent among the survey respondents for their 1982 incentive campaigns. The comparable number a year earlier was 33 percent. For users of merchandise incentives, 35 percent earned awards where 36 percent had been winners in 1981. On the travel side, 26 percent of the sales force qualified, on the average—compared with a 28 percent record the year before.

If sales increases were down, and participation was off slightly, you could still count on unit costs of incentives to go up in 1982, even with the recession-born drop in inflation. Merchandise costs, however, advanced quite modestly—while travel expenses jumped about 20 percent from 1981 to '82.

A typical merchandise award—based on the median of all users' reports—cost $80 last year, compared with $75 the year before. The average cost cited was much higher in each case, because of the incidence of some quite large awards in the marketers' programs. For last year, the average was $238, up just three percent from the 1981 average of $231.

If the users tightened their belts a bit to avoid substantial increases in merchandise cost, there was no such stringency among the travel planners. The median trip cost advanced from a 1981 level of $1000 to a new high of $1200. However, at the upper reaches the big spenders appeared to moderate their plans, and the average of all expenditures moved up by less than 7 percent, from $1395 in 1981 to $1487 last year. The costs reported were users' budgeted expenses, covering a trip for a couple in most cases.

There was good news last year in terms of the incentive users' true promotion cost, despite uncertainties in volume results. The clearest measure of the cost of a campaign is the percentage of incremental sales that must be spent to achieve the results. Here the record showed improvement in 1982 when compared with the previous year's bottom line.

For merchandise incentive users, the average incentive cost was 8.1 percent of incremental sales. On the travel side of the ledger, the cost was somewhat greater, 9.7 percent of the added volume. But both figures represent an improvement over the 1981 survey results, which showed 11 percent of incremental sales spent for both merchandise and travel campaigns.

The sobering side of the picture is that, for quite a good number of companies, there were no incremental sales to weigh against costs. But that was the story of 1982. The story of 1983 is expected to be quite a bit different, and sales incentive users entered the recovery period with their weapons ready. ■

Dealer Incentives

It was a tough year for dealer incentives, with 9 of the 10 largest industries reporting flat performance. The total field moved ahead just 3.3% in 1982, for a volume of $1,697,420,000.

What comes in the back door must go out the front. But often it did not in 1982. That's the oversimplified summary of dealer promotion and incentives last year, and the basic reason for a fairly poor record in that portion of the incentive field.

The year in dealer incentives was characterized by:

- overall usage well below the inflation rate and the total field,
- flat performance by nine of the 10 largest user industries,
- negative sales results for many programs, and some slippage in the numbers where increases did occur,
- a consequent drop in dealer participation in awards, and
- nevertheless—no escalation in the cost of programs that worked, in relation to incremental sales.

Dealer incentive promotion in 1982 came to an estimated total of $1,697,420,000—just 3.3 percent more than the dollar expenditure the previous year. This was better than the record of consumer promotion by manufacturers and wholesalers, which rose just 2.5 percent—but weaker than the sales incentive performance, which increased by an estimated 5.6 percent last year.

The category of dealer incentives covers a wide range of promotional targets—including retailers of all types, wholesalers, jobbers and distributors, commercial or industrial dealers, service contractors, restaurants, travel agents, insurance brokers, and others. It covers motivational programs directed at management and principals of such organizations, rather than at their selling personnel, whose incentives come under the "sales incentives" classification.

In **IM**'s 1983 special survey on dealer promotion, 43 percent of users said they aim their incentives at wholesale firms, with 42 percent targeting the various types of retailers. In 35 percent of cases, the audience is composed of commercial or industrial dealers or service contractors.

More than half—53 percent—of the reporting companies most often offer single merchandise items to their dealers; 30 percent use large catalogs, and 17 percent create their own small catalogs or limited assortments of premiums. A majority—57 percent—say they use some travel; 29 percent combine their trip offerings with merchandise, and 24 percent use both, but in separate promotions.

Travel usage last year grew slightly more than merchandise campaigns—up 4.1 percent to $574,727,000. On the merchandise side, volume increased only 2.9 percent to an estimated $1,122,693,000. This was a major shift of emphasis from year-ago estimates given by the users. At that time they forecast a reduction of 1.1 percent in their merchandise purchases, but a 14.1-percent growth in travel. Overall, the forecast was for a four-percent rise in spending.

The shift away from a larger planned use of travel may be explained by the fact that nine of the 10 largest users of dealer incentives increased their spending at rather low rates—and seven of them are among the Top Ten users of travel. Clearly some trip plans were either canceled—or resulted in much smaller movements than had been anticipated.

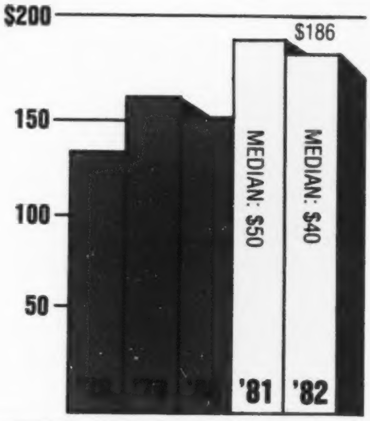
Ten industries made fairly significant increases in their dealer incentive budgets—five percent or more. But only one of them was among the 10 largest users of the technique. In order of their expansion, they were:

• Insurance	+10.7%
• Pharmaceuticals	+ 8.4%
• Detergents & Cleansers	+ 7.2%
• Office Equipment	+ 6.2%
• Paints & Varnishes	+ 5.9%
• Building Materials	+ 5.8%
• Electric Appliances	+ 5.8%
• Beer, Ale & Soft Drinks	+ 5.5%
• Industrial Chemicals	+ 5.4%
• Publishers, Printers & Broadcasters	+ 5.1%

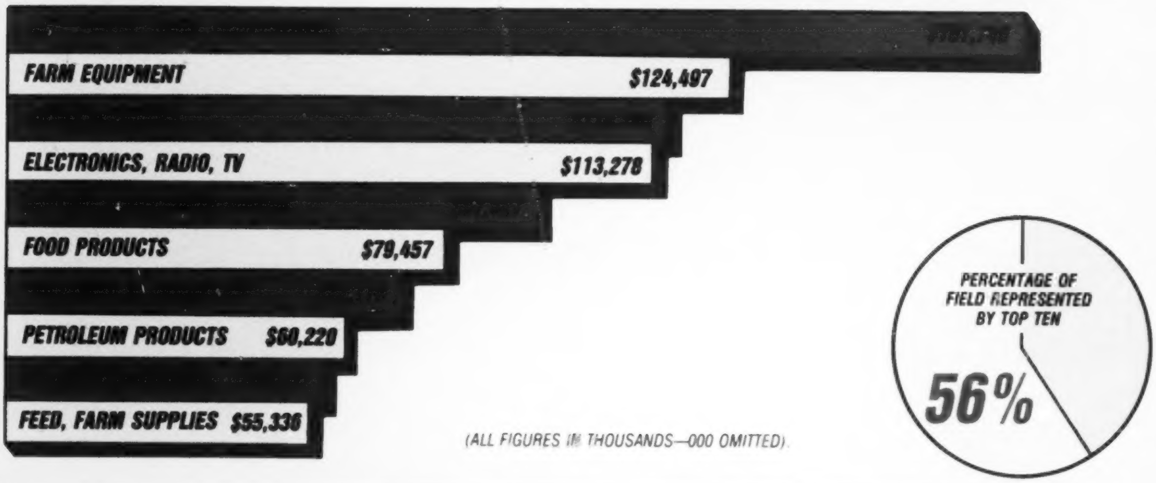
The only industry on the list in the Top Ten users was Building Materials, and it ranks ninth among the biggest spenders. Insurance, a big spender overall, is small in this category—but dominates the sales incentive fig-

MERCHANDISE AWARDS

Users of dealer incentives reported sales increases below a year ago and drops in participation. On the plus side, there was no increase in the cost of the promotion as a percentage of sales.



TOP TEN DEALER INCENTIVE USERS (1982)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

ures. The insurance industry also is the No. 1 user of incentive travel—the only industry which spends more on travel than merchandise—and increased its total travel usage a bit more than merchandise.

Contributing heavily to the slowdown in dealer promotion was the fact that the automotive aftermarket, biggest user of all in this category, increased by only 1.9 percent. An undistinguished record for the year is seen for most of the Top Ten dealer incentive users:

Auto Parts, Tires, Accessories	**+ 1.9%**
Farm Equipment	**– 0.9%**
Automobiles & Trucks	**+ 2.4%**
Electronics, Radio & TV	**+ 2.9%**
Heating and Air Conditioning	**+ 4.0%**
Food Products	**+ 2.7%**
Toiletries & Cosmetics	**+ 3.9%**
Petroleum Products	**+ 2.4%**
Building Materials	**+ 5.8%**
Feed, Fertilizer & Farm Supplies	**+4.3%**

These ten largest users of dealer incentives increased their expenditures in 1982 by only 2.5 percent overall, as compared with their '81 usage. They still account for 56 percent of all expenditures for dealer promotion—but obviously did not act like leaders in such promotion last year.

Eleven industries that were also-rans—neither big users nor big in 1982 expansion—ranged in activity from a high of +4.8 percent for Furniture & Floor Coverings to the disaster of –74.9 percent for Banks and Savings & Loans, a very small user in this category. Here is how they acted in their usage last year:

Apparel	**– 0.6%**
Banks and Savings & Loans	**–74.9%**
Electrical & Lighting Equipment	**+ 2.8%**
Furniture & Floor Coverings	**+ 4.8%**
Hardware	**+ 0.2%**
Housewares & Home Furnishings	**– 4.8%**
Luggage, Jewelry & Accessories	**– 1.4%**
Machinery & Supplies	**+ 1.7%**
Paper Products & Packaging	**+ 3.7%**
Public Utilities	**+ 2.9%**
Sporting Goods & Toys	**+ 2.3%**

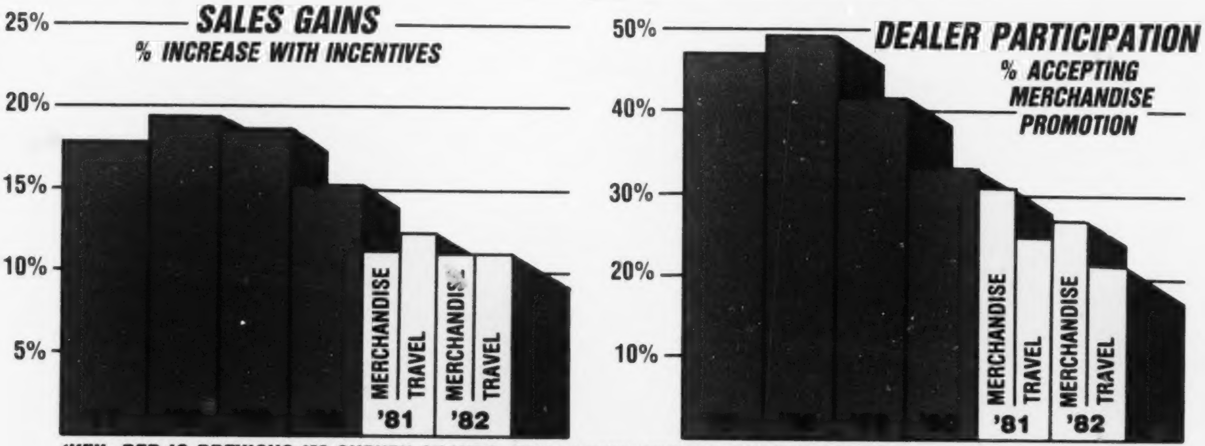
In addition, the large category of Miscellaneous Industries increased in estimated volume by 4.2 percent, and Distributors & Wholesalers upped their dealer incentive efforts by 4.5 percent. For both of these groups dealer promotion usage was below their overall incentive spending increases, estimated at 5.3 percent and 6.3 percent respectively for all types of premium or incentive promotion.

The incentive dollar last year bought the same or a little bit more in merchandise, the marketers told us—but incentive travel took a large jump in unit trip cost, compared with the comparable averages in the previous year's survey.

Average unit cost of a merchandise dealer incentive among these users was $186, hardly distinguishable from the $190 found a year earlier. But the median of their expenditures fell from $50 to a present level of $40.

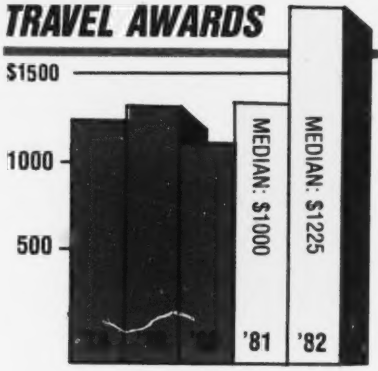
For travel buyers, the story was quite different. The budgeted trip cost a year ago, including spouses in most cases, averaged $1168. The comparable figure in the latest survey was $1690. There were some big spenders, however, and the median did not rise quite so much. It did, however, go up 22.5 percent, from $1000 to $1225.

Apparently because of a drop in the percentage of qualifying dealers, the overall cost of an incentive campaign remained unchanged—eight percent of incremental sales for merchandise users, and nine percent of the extra volume for those who offered travel.



(KEY: RED IS PREVIOUS IM SURVEY GROUPS, TAN IS THIS GROUP'S 1981/82 REPORTS).

TRAVEL AWARDS AVERAGE (UNIT COST)



Cost of the typical dealer trip took another big leap. But as a percentage of sales generated, it held steady.

The percentage of eligible people earning the awards declined four percentage points across the board. Considering all incentive campaigns, the average qualification level declined from 29 percent a year earlier to 25 percent in 1982 programs.

The same four-point spread existed in each type of promotion. Merchandise offers were accepted by 27 percent of the users' dealers in 1982, on the average—compared with 31 percent found in the previous study. And on the travel side, where the executives had earlier experienced a 25-percent winner rate, only 21 percent earned trips last year.

If it was tougher for dealers to get incentive awards during the recession year of 1982, it was at least equally tough for marketers to get the sales increases that measure success of a program. All trade incentive results showed an unusual percentage of companies not gaining ground—or continuing to lose. This factor was especially high among those promoting to dealers.

If you were offering a premium to dealers last year, you had a 19-percent chance of coming up with flat sales results, or worse. But the survey shows that users of travel programs suffered much more—with 31 percent of them indicating they made no volume gains or had a continuation of a declining sales curve.

This result was apparently less the product of any shortcoming in the incentive programs than of the economy. There are times when nothing can stem the tide of stormy business, and this was surely one of those periods. Comments from many users indicated they held their own better—or lost less ground than they might have—because of the stimulus of the incentives.

For those who did enjoy some sales gain, there was relatively good news. Among merchandise users, the percentage gain remained the same as the previous year's average—11 percent. Travel promotion, which had done somewhat better than merchandise in 1981, at 13 percent, slipped to the same 11-percent average last year.

All in all, it seems dealer incentives in 1982 did what they are intended to do—make a difference. That the difference was often not as positive as might be hoped was a measure of the marketing environment they operated in.

With economic recovery under way in 1983, it is reasonable to project that the incentive difference this year will have made itself felt in a more traditional—and more pleasing—way to users. ■

Travel Incentives

Travel incentives were the fastest-growing segment of the trade incentive field, but their growth rate was below the pace set in past years. The field finished 1982 with a 5.6% spending increase.

Motivation to minimize disaster is not especially satisfying. But it is better than no motivation at all—and that was what a great many users of incentive travel had to settle for in 1982.

Although the application of incentive travel was at a higher level than most of the field last year—particularly in sales incentives—20 percent of the marketers using it nevertheless did not achieve positive sales results. They told us they either held their own or prevented sales from dropping more sharply.

For users of sales force trips, (they recorded the highest increases in travel expenditures), 17 percent said they had no gain in sales. But among users of travel programs for dealers, 31 percent found that result.

All incentive travel last year increased by an estimated 5.6 percent, well above the 4.5-percent expansion for the entire field. The new total reached $1,125,979,000, adding about $60 million to American marketers' travel budget in the year.

The addition of travel dollars was greater among those promoting to sales forces—up 7.1 percent. In dealer trip promotions, the outlay climbed by 4.1 percent. There has been a tendency for several years of sales incentive programs catching up with the dealer side, which used to account for a much larger majority of the spending. Dealer promotion now takes a 51-percent share of the total. In dollar terms, sales incentive campaigns added about $37 million, while dealer effort expanded by $23 million in 1982.

Travel incentive programs are heavily concentrated in a few leading user industries. The

TOP TEN TRAVEL USERS

Insurance	**$148,467,000**	**+ 9.1%**
Electronics, Radio & TV	**$111,347,000**	**+ 4.7%**
Auto Parts, Tires & Accessories	**$ 99,743,000**	**+ 8.0%**
Automobiles & Trucks	**$ 92,197,000**	**+ 2.8%**
Farm Equipment	**$ 75,332,000**	**+ 0.9%**
Heating & Air Conditioning	**$ 67,248,000**	**+ 6.6%**
Office Equipment	**$ 49,440,000**	**+ 6.7%**
Electric Appliances	**$ 42,880,000**	**+ 4.3%**
Building Materials	**$ 34,350,000**	**+ 8.0%**
Toiletries & Cosmetics	**$ 31,350,000**	**+11.6%**

Top Ten industries last year were responsible for 67 percent of all expenditures for travel, and they maintained a good growth rate in 1982. The largest user—Insurance, with more than $148 million in travel outlays—increased its usage 9.1 percent over the year before. And the No. 10 entry, Toiletries & Cosmetics, had the biggest percentage rise, up 11.6 percent last year. Four others in the Top Ten added travel dollars above the average rate of increase. Two others spent more than four percent over their 1981 budgets; and only two industries, Automobiles & Trucks and Farm Equipment, lagged seriously among the Top Ten in expanded travel campaigns. Here is how the big spenders lined up in estimated 1982 incentive travel: (see table above)

Because of the relatively fast pace set by a majority of the Top Ten industries, they accounted for about 72 percent of the total growth in incentive travel last year, compared with their 67-percent share of the total spending.

Despite higher spending levels than the average, there is no perceptible pattern of better results among the largest users. They seem to share the general experience of a drop in sales-increase figures, or no increases at all. In a travel program, with its longer lead times, budgets tend to be fixed farther in advance—and be less flexible at the end of a promotion. Many travel programs run for a year or longer; in **IM's** last special survey of incentive travel practices (**IM** October 1983), 26 percent of the users reported selling periods of 52 weeks or more. Given the companion fact that travel programs usually take longer to set up than merchandise incentives, the user must commit his funds well in advance, and cannot fully react to later developments in his market. The larger and more experienced the user company, the more likely this is to be true.

Among industries other than the leading travel users, 1982 expenditures lagged behind the average for 16—while only four matched or exceeded the average growth rate. The most active were:

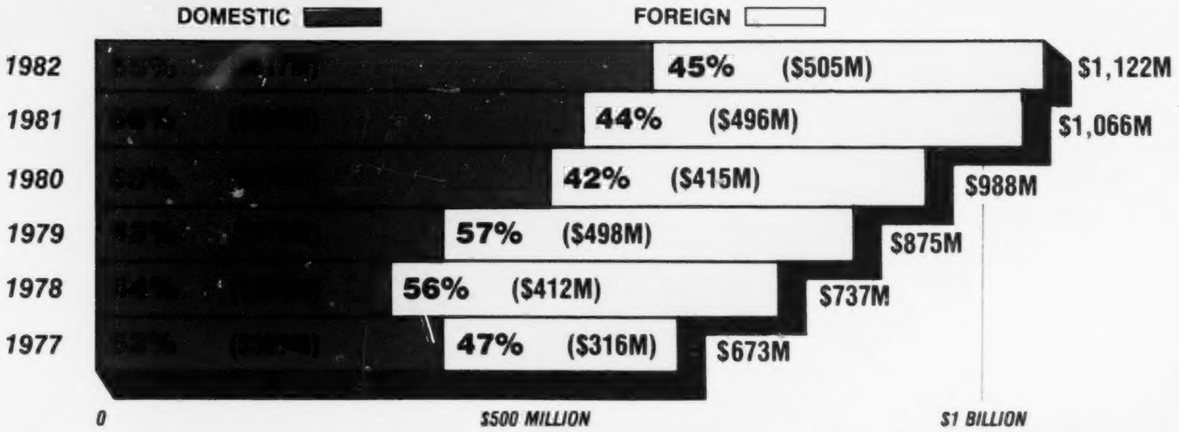
- **Detergents & Cleansers** +6.6%
- **Food Products** +9.1%
- **Paints & Varnishes** +8.4%
- **Publishers, Printers, Broadcasters** +5.7%

All of these are quite small in their application of incentive travel programs, accounting for a total spending slightly over $46 million last year. In addition, the fairly large category of Distributors & Wholesalers boosted travel budgets by 8.5 percent, to a total for the year of more than $29 million.

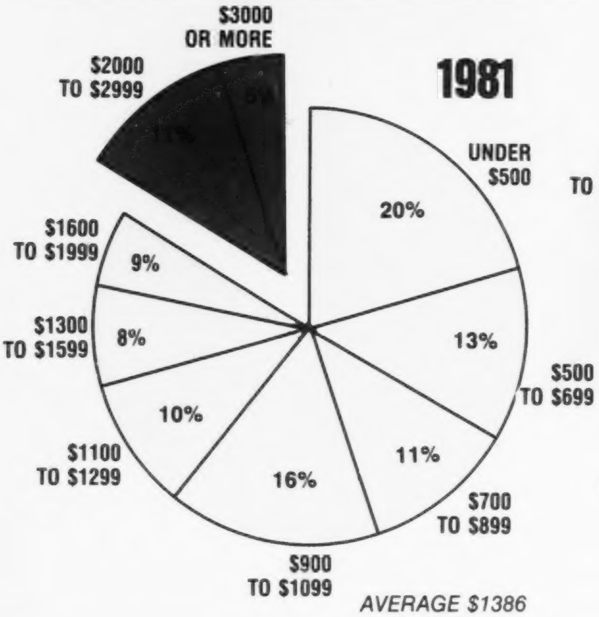
Of the remaining industry groups, only four plus the miscellaneous category exceeded five percent in expansion of travel in 1982. Here is the record they wrote:

- **Apparel** + 1.9%
- **Banks and Savings & Loans** −26.8%
- **Beer, Ale & Soft**

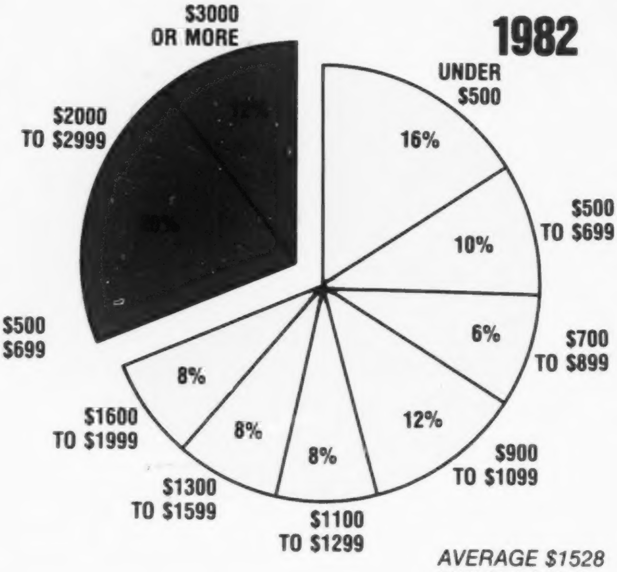
WHERE THE MONEY IS SPENT



COST OF INCENTIVE TRIP



AVERAGE $1386
MEDIAN $1050



AVERAGE $1528
MEDIAN $1200

Drinks	+ 3.7%
• **Electrical & Lighting Equipment**	+ 1.2%
• **Feed, Fertilizer, Farm Supplies**	+ 4.3%
• **Furniture & Floor Coverings**	+ 3.2%
• **Hardware**	+ 1.4%
• **Housewares & Home Furnishings**	− 1.2%
• **Industrial Chemicals**	+ 5.3%
• **Luggage, Jewelry & Accessories**	+ 2.5%
• **Machinery & Supplies**	+ 5.1%
• **Paper Products & Packaging**	+ 4.8%
• **Petroleum Products**	+ 2.1%
• **Pharmaceuticals**	+ 3.5%
• **Public Utilities**	+ 5.5%
• **Sporting Goods & Toys**	+ 5.2%
• **Miscellaneous Industries**	+ 5.4%

Foreign travel is continuing the slow comeback from a sharp drop in 1980. In 1977 the majority of incentive travel—53 percent—was to domestic destinations. The next two years saw overseas sites jump into the lead, with 56 and 57 percent. In 1980, foreign travel dipped 15 percentage points, to only 42 percent of all estimated expenditures. In '81, the foreign total was up to 44 percent—and last year it edged up another point, to 45 percent of all travel incentive dollars. Foreign destinations are most popular among users running dealer programs, while sales incentive users tend to prefer places close to home.

This distinction is at least partly responsible for a slightly higher unit cost for dealer trips than for those primarily involving salespeople—although the difference is not great. Dealer travel per qualifier rose to an average of $1690 last year, while sales force trips cost an average of $1487. But the median budgets were not so far apart—$1225 and $1200 respectively.

The overall average unit cost per trip last year was $1528, compared with $1386 in the previous survey. The median rose from $1050 in earlier estimates to $1200 this time.

Some users still manage to finance incentive trips for less than $500, but that group has dropped from 20 percent of users to only 16 percent. At the other end of the scale, 16 percent spent $2000 or more per winner in 1981—and that group has doubled to 32 percent in this latest survey.

That the higher unit costs did not result in greater increases in travel expenditures may be attributed to a concurrent decline in the percentage of people who went on the trips. The users in this survey told us that an average of only 21 percent of their dealers participated in 1982, compared with 25 percent a year earlier. On the sales incentive side, the decline was a bit less, from 28 percent to 26 percent.

When fewer potential travelers qualify, the assumption follows that the program did not work so effectively to increase sales. This has rarely been so evident as in the current survey, when 20 percent of the travel users indicated their sales results were flat, or that incentives failed to stop a decline. The economy was working hard to nullify the upward push of the incentive programs. Users who had planned their campaigns months before with the expectation of a business recovery in 1982 found that it did not happen that way—the economy continued to slide into November, for the longest period of decline since the one beginning in 1929—although it was only about one month longer than the reversal of the mid-1970s.

Promoters of trips for dealers suffered most, with 31 percent of them entering zeros on the bottom line. For users of sales incentive travel, the figure was 17 percent. Both records were worse than those experienced last year by the merchandise award users—with 12 percent reporting no gains in sales force programs and 19 percent in dealer promotions.

Many users took this outcome philosophically, knowing that major gains could not be easy last year. "We were happy to stay even" was a typical comment.

For those who did experience some sales growth during their travel programs, the result was down from a year earlier. Companies running travel plans for their salespeople came up with an average sales increment of 12 percent last year, where they had averaged 16 percent a year earlier. In dealer promotion, the results dropped from an '81 average of 13 percent to 11 percent in '82.

The balancing of sales against costs came out better, on the average, than users might have had reason to expect. In terms of program cost as a percentage of incremental sales, there was no change from a year earlier for those promoting to dealers—the average remained at nine percent. Sales incentive travel users actually came out somewhat better, with an average of 9.7 percent of added sales spent for the incentive program.

Beyond the dollars-and-cents measurement of results, incentive travel has a special dimension that must have been very important in 1982. One of the major objectives stated by users was the improvement of goodwill and morale among dealer and sales forces. If there was a time to try the morale or goodwill of those who sell, last year was a likely example of it.

That may be frosting, rather than cake. But the incentive travel user makes it clear he'll take it. ■

Consumer Premiums

Stung by a 31% drop in bank premium spending—the third largest user—the consumer premium field posted a weak 2.5% overall growth rate. Putting banks aside, 20 of the 32 industry groups had above-average increases.

The timetable of recession—at least as much as the depth of it—was responsible for a lot of wrong early guesses and estimates of consumer promotion activity during 1982.

After a fairly lackluster performance in 1981—an increase of only 6.5 percent in consumer incentives—many users anticipated the start of recovery in 1982. And that led them to some optimistic estimates, 12.1 percent higher overall, of their premium spending last year.

But the '82 recovery never happened, and promotional expenditures in the consumer area rose by a mere 2.5 percent, well below the remaining inflation level of the period.

The truism that incentives are "recession-proof" is a half-truth at best. The half that holds some truth says that trade incentive spending, particularly for sales incentives, tends to remain strong as marketers apply it in a fight for their shares of the dwindling sales volume available.

In the other half—the consumer sector—a recession is usually felt by the incentive field. The consumer premium is most often tied fairly directly to product sales; if less product is sold, fewer premiums will move out, regardless of how much advertisers keep trying. The early twinges of recovery are likely to bring a flurry of activity to consumer incentives; but until those twinges appear, little can be expected to happen.

Users who bought the promise of a 1982 recovery thus overestimated their incentive usage—and probably compounded the miscalculation by figuring in a higher level of inflation than existed last year. Their forecasts were made late in 1981.

By the early months of this year, much consumer and business opinion was still skeptical of recovery talk. It was not until the second quarter that believers began to prevail. And when the principal economists' measurements were done, the conclusion was that the recession hit bottom in November 1982, after a 17-month slide, the longest since World War II.

Spending for consumer premium promotion in 1982 is now estimated at $2,804,652,000 by manufacturers, wholesalers and service organizations. Spending by retailers increased five percent over 1981, to a new total of $2,008,000,000. Together, these categories accounted for about 49 percent of the year's total of $9,779,217,000 in incentive usage.

The 2.5-percent overall increase in dollar spending for consumer promotion is a bit misleading. Twenty industries, plus wholesalers & distributors and the miscellaneous group, all expanded by larger percentages. One was exactly on the 2.5 average and nine did less well. One of those nine wrought considerable mischief with the average; Banks and Savings & Loans cut back on consumer promotion spending by 31.8 percent below its 1981 rate.

Deregulation has sharply reduced the amount of premium activity among financial institutions, as they put their marketing emphasis on the interest rate as an "incentive." And new instruments have given them a good inflow of funds that recently has not been matched by demand for loans. Therefore, there is less need to promote deposits. The decline in promotion by banks and S&Ls in 1983 has continued, and it is likely this year's figures will reflect another drop in the totals, until the allure of rate as a sales tool wears out.

The drop in bankers' promotions

was greatest last year in the direct premium category, the area of their largest usage—down by 35 percent. But self-liquidators, recently only slightly smaller in bank usage, declined by 28.9 percent. The two categories together plunged from $169,286,000 in 1981 to $114,652,000 last year. With a big drop also in employee programs and other supporting activities, the financial institutions' overall usage of all incentive types came out 29.1 percent behind the previous rate.

Three other industries showed a decline in their dollar investments in incentive promotions last year: Farm Equipment, down 1.7 percent; Housewares & Home Furnishings, off by 1.5; and Petroleum Products, 0.3 percent below 1981. The five where there was a slight expansion on paper, but below the meager average advance, were: Electrical & Lighting Equipment, up 0.5 percent; Hardware, 0.8; Luggage, Jewelry & Accessories, 2.4; Public Utilities, 0.2; and Sporting Goods & Toys, 1.6 percent.

Three of these below-par users are big in their application of consumer premiums, and they remain among the Top Ten in 1982 expenditures. Banks and Savings & Loans, despite their weak showing, held onto the third position in the list. Housewares & Home Furnishings remained the fourth-largest user, and Petroleum Products kept their ninth spot in the rankings. Here are the Top Ten and their 1982 spending reports:

• **Food Products**	**$769,059,000**
• **Toiletries & Cosmetics**	**253,235,000**
• **Banks and Savings & Loans**	**121,155,000**
• **Housewares & Home Furnishings**	**81,450,000**
• **Beer, Ale & Soft Drinks**	**77,929,000**
• **Detergents & Cleansers**	**73,040,000**
• **Auto Parts, Tires & Accessories**	**72,508,000**
• **Publishers, Printers & Broadcasters**	**71,756,000**
• **Petroleum Products**	**64,579,000**
• **Office Equipment**	**58,985,000**

The order of the first nine users in the consumer categories did not change, but there is a new name in the bottom spot, with Office Equipment makers taking over from Feed, Fertilizer & Farm Supplies. The agricultural products firms accelerated their promotion by a relatively healthy 4.8 percent to consumers, and spent $57,157,000. But Office Equipment manufacturers nosed them out by about $1.8 million in consumer promotion.

Among the six consumer promotion techniques estimated separately, Sweepstakes & Contests wrote the best record for 1982, with an increase in usage of 6.1 percent, to a total of

LEADING USERS—CONSUMER INCENTIVES

SELF-LIQUIDATORS

1. Food Products
2. Toiletries & Cosmetics
3. Banks, Savings & Loans
4. Auto Parts, Tires, Accessories
5. Detergents & Cleansers
6. Beer, Ale, Soft Drinks
7. Petroleum Products
8. Building Materials
9. Pharmaceuticals
10. Feed, Fertilizer, Farm Supplies

DIRECT PREMIUMS

1. Toiletries & Cosmetics
2. Housewares, Home Furnishings
3. Banks, Savings & Loans
4. Publishers, Printers, Broadcasters
5. Food Products
6. Office Equipment
7. Petroleum Products
8. Beer, Ale, Soft Drinks
9. Feed, Fertilizer, Farm Supplies
10. Auto Parts, Tires, Accessories

SWEEPSTAKES & CONTESTS

1. Food Products
2. Toiletries & Cosmetics
3. Publishers, Printers, Broadcasters
4. Petroleum Products
5. Auto Parts, Tires, Accessories
6. Beer, Ale, Soft Drinks
7. Banks, Savings & Loans
8. Insurance
9. Building Materials
10. Electronics, Radio & TV

FREE MAIL-IN OFFERS

1. Food Products
2. Insurance
3. Toiletries & Cosmetics
4. Detergents & Cleansers
5. Publishers, Printers, Broadcasters
6. Beer, Ale, Soft Drinks
7. Electric Appliances
8. Paper Products, Packaging
9. Feed, Fertilizer, Farm Supplies
10. Electronics, Radio, TV

FACTORY-PACKS

1. Food Products
2. Toiletries & Cosmetics
3. Office Equipment
4. Detergents & Cleansers
5. Pharmaceuticals
6. Beer, Ale, Soft Drinks
7. Publishers, Printers, Broadcasters
8. Apparel
9. Feed, Fertilizer, Farm Supplies
10. Paper Products, Packaging

COUPON PLAN

1. Food Products
2. Feed, Fertilizer, Farm Supplies
3. Tobacco Products
4. Toiletries & Cosmetics
5. Industrial Chemicals
6. Detergents & Cleansers
7. Paper Products, Packaging
8. Electronics, Radio & TV
9. Pharmaceuticals
10. Electrical & Lighting Equipment

$169,699,000.

Three industries account for about 32 percent of all use of sweepstakes, and they all increased their activity in 1982. Food Products, the biggest user, anted up 10.9 percent more prizes last year than it had the year before, for a total of $27,023,000. The second entry, Toiletries & Cosmetics, advanced by a more conservative 6.4 percent, to an estimated $15,187,000.

But the number 3 group—Publishers, Printers & Broadcasters—went a little wild with a growth of 27.5 percent in sweepstakes offerings, to a 1982 total of $11,814,000, mainly reflecting heavy subscription promotion activity.

Sweepstakes & Contests, however, is the smallest promotion category of all. The largest consumer category, Self-Liquidators, did not do its share for growth, adding only 2.6 percent last year. The new total for usage of self-liquidators is $875,122,000.

Most liquidators are of the long-familiar mail-in variety used heavily to promote packaged products. But in recent years an increasing amount of expenditures of a different sort have fallen into the category—financial institutions' deposit promotions. Even with a considerable drop-off in 1982, that industry still accounted for more than $54 million worth of technically "self-liquidating" promotions. And it was a loss of $24 million in volume there that contributed more than anything else to the flat record for Self-Liquidators in 1982. The rest of the Self-Liquidator category showed more than a five-percent increase in spending last year.

Facing a tough year, incentive users in 1982 took the traditional course: putting whatever promotion money was available into sales & dealer incentives, and holding the line on promotion to consumers.

The liquidators' cousins, Free Mail-In offers, recorded an estimated expansion of 5.5 percent—paced by a 5.6-percent increase in their use by Food Products, which account for more than half the total year's volume of $382,041,000. Banks and Savings & Loans made the biggest negative contribution, declining 31.5 percent in their spending for free mail-ins; because the category is a small one for them, this had little impact on total figures.

There were some extremes in the free mail-in area. Besides the financial institutions, seven other industries reduced their usage of this technique—by as much as 18.4 percent for Electrical & Lighting Equipment, 8.4 percent in the automotive aftermarket, and 8.2 percent in Sporting Goods & Toys.

Four industries raised their free mail-in spending by eight percent or more. Apparel manufacturers spent 14.6 percent more than the year before; Building Materials firms increased by 11.4 percent; Furniture & Floor Coverings were up 8.5 percent, and Insurance companies used eight percent more in free mail-in offers in 1982 than they had a year earlier.

The free mail-in has the magic-word appeal of the direct premium, but without the immediacy the latter offers as a consumer inducement. But that immediacy is probably the reason for direct premiums' rather poor showing in usage during 1982.

By definition, the direct premium is tied to a product sale at retail in most instances. Thus, when sales are off, the premium follows the downward curve. Last year, direct premiums followed it with a decline in spending of 1.5 percent. This is the largest category for Banks and Savings & Loans, and showed the financial institutions' greatest cutback in promotion. But even without that loss—if the banks' usage had remained even with the previous year—direct premiums would have grown only by an estimated 3.1 percent.

Sweepstakes & Contests—the smallest category—led the growth with a 6.1% budget hike, paced by big gains by the three largest users: Food Products, Toiletries, Publishers & Broadcasters.

The Factory-Pack variety of direct premium—literally tied to the product sold as an on-pack, in-pack or container premium—did somewhat better, increasing its use by four percent over '81.

These two types together accounted for an estimated investment by marketers of $1,079,788,000, just 0.4 percent ahead of the combined total a year earlier. The separate direct premiums counted $688,787,000 of the 1982 total, with factory-packs adding $391,001,000.

While many industries clearly curtailed their usage of direct premiums in 1982, there were five that recorded double-digit increases. Industrial Chemicals expanded its usage by 17.1 percent. Others with substantial growth in this category were Paints & Varnishes, up 12.7 percent; Electric Appliances, 11.2; Luggage, Jewelry & Accessories, 10.4; and Building Materials, 10.3. All of these, however, are quite small users of the technique, so that their increases did not weigh heavily in the average.

Apart from those individual industries, there was growth in direct premiums in another important category—Distributors & Wholesalers, up 16.6 percent. Their usage, $31,840,000 in 1982, is larger than the five industries mentioned above, combined. It appears that many middlemen moved aggressively last year to provide their own motivation at the consumer level, to take up the slack where manufacturers were holding back.

Another area of premium usage not

included in the main averages is that of promotion by retailers, which added $2,008,000,000 to the total in 1982, five percent higher than their spending the year before.

More than half of that expenditure is attributed to supermarkets and other grocery retailers—$1,018,000,000—with the remaining $990,000,000 spent by all other types of retail outlets.

The categories of promotion by retailers differ from those of other industry groups. The two largest elements are trading stamps and continuity promotions. Trading stamps are estimated at a total of $507,000,000 for 1982, with more than 80 percent in the grocery field. The grocers are also the almost-exclusive users of continuities—promotions that offer a series of related items, usually one piece a week for 12 to 15 weeks, at special prices with indicated minimum grocery purchases.

The five-percent increase in dollar spending for retailers' premium promotions represents a slight pull-back from earlier expansion rates—but these promotions have tended to show a relatively low growth rate for several years.

In almost all industries, consumer incentive promotion, although inevitably reacting to recession, has generally performed better than in similar periods in the past. The 1982 estimates, while showing a decline in real promotional effort, did not bring enough shrinkage to result in negative dollar figures—and it now appears certain that there will not be a second-year decline like that experienced in 1974 and '75.

Recovery, though delayed beyond most marketers' expectations, is under way—and early reports on this year's incentive activity show an upturn that tells us the motivational techniques are getting back to work at a good rate. Consumers are ready to buy again—and thus open to incentive stimulus again. ■

CONSUMER PREMIUMS: WHAT THEY CAN DO

(% OF USERS WHO CONSIDER EACH TECHNIQUE "MOST EFFECTIVE" FOR REACHING SPECIFIED GOAL)

GET SHELF ATTENTION

	1981	1982
SELF-LIQUIDATOR	16%	14%
FREE MAIL-IN	19%	17%
SWEEPSTAKES	16%	13%
COUPON PLAN	4%	9%
DIRECT PREMIUM	10%	14%
FACTORY-PACK	33%	35%

SELL IN TO DEALERS

	1981	1982
SELF-LIQUIDATOR	7%	14%
FREE MAIL-IN	8%	11%
SWEEPSTAKES	19%	11%
COUPON PLAN	13%	7%
DIRECT PREMIUM	31%	33%
FACTORY-PACK	22%	24%

BOOST REPEAT SALES

	1981	1982
SELF-LIQUIDATOR	23%	20%
FREE MAIL-IN	20%	22%
SWEEPSTAKES	6%	12%
COUPON PLAN	27%	22%
DIRECT PREMIUM	16%	16%
FACTORY-PACK	18%	8%

BE A SALES TALKING POINT

SELF-LIQUIDATOR	8%	10%
FREE MAIL-IN	15%	17%
SWEEPSTAKES	20%	31%
COUPON PLAN	12%	13%
DIRECT PREMIUM	23%	17%
FACTORY-PACK	22%	12%

BUILD USER GOODWILL

SELF-LIQUIDATOR	20%	21%
FREE MAIL-IN	22%	25%
SWEEPSTAKES	7%	12%
COUPON PLAN	15%	16%
DIRECT PREMIUM	22%	17%
FACTORY-PACK	14%	9%

GAIN AD READERSHIP

SELF-LIQUIDATOR	8%	11%
FREE MAIL-IN	24%	30%
SWEEPSTAKES	40%	41%
COUPON PLAN	12%	9%
DIRECT PREMIUM	14%	8%
FACTORY-PACK	2%	1%

OBTAIN STORE DISPLAYS

SELF-LIQUIDATOR	16%	18%
FREE MAIL-IN	8%	8%
SWEEPSTAKES	16%	17%
COUPON PLAN	6%	8%
DIRECT PREMIUM	21%	22%
FACTORY-PACK	32%	27%

SAMPLE NEW USERS

SELF-LIQUIDATOR	14%	17%
FREE MAIL-IN	47%	44%
SWEEPSTAKES	5%	9%
COUPON PLAN	6%	4%
DIRECT PREMIUM	19%	13%
FACTORY-PACK	9%	13%

COST/EFFECTIVENESS

SELF-LIQUIDATOR	38%	40%
FREE MAIL-IN	14%	12%
SWEEPSTAKES	14%	15%
COUPON PLAN	8%	6%
DIRECT PREMIUM	12%	12%
FACTORY-PACK	14%	15%

Jan. 1984 Not Filmed

FEBRUARY 1984

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

1984 Incentive Resource Guide

Manufacturers · Reps · Service Companies · Trade Associations

Special Section:

Camera Makers Focus On Premium Sales

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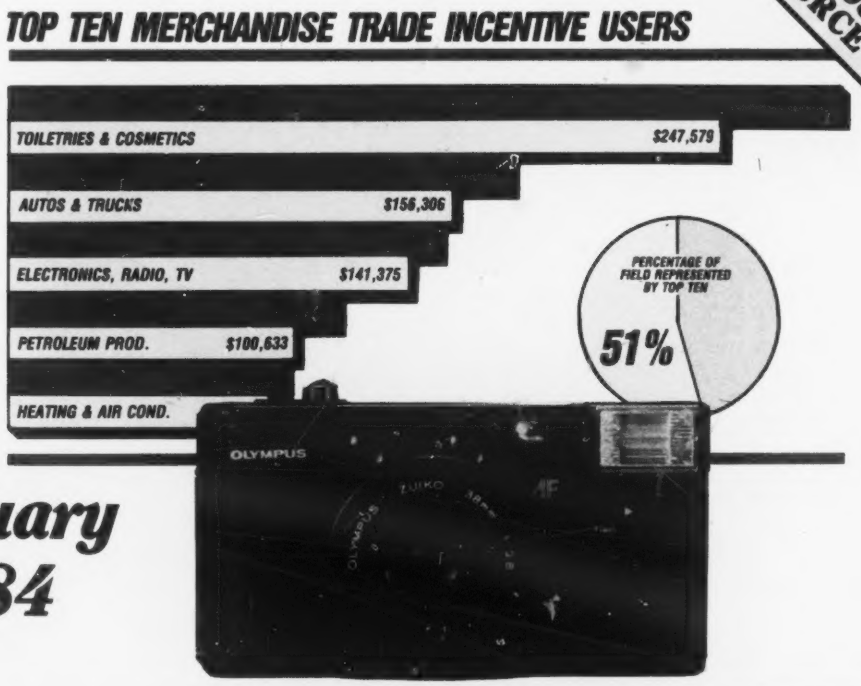
INCENTIVE MARKETING

1984 RESOURCE GUIDE



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Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

A Cautious Year, as Buyers Wait for the Recovery

Incentive users ended 1983 with total spending up just 6.8 percent, topping $10 billion for the first time. But given the inflation rate, the results indicated a measurable growth for the first time in several years.

Economic recovery last year brought a moderate upturn in premium and incentive usage—but less than a really vigorous marketing effort might have generated.

In most industries, few vigorous marketing efforts were visible in 1983. American business entered the year with trepidation and skepticism about a recovery. Only after several months did it become really clear that there was something important happening—something that would wind up with more than six-percent growth in gross national product.

Incentive effort went a shade beyond that growth rate, with an estimated 6.8-percent increase in expenditures last year. The total, passing the $10-billion milestone for the first time, came to $10,440,117,000, compared with the $9,779,217,000 estimated for 1982.

Given an inflation rate estimated in the area of 3.5 percent for the year, the results indicate a measurable real growth for the first time in a few years. The expansion was slightly less than the 7.2 percent **IM** had forecast a year ago—a difference probably attributable to an inflation level lower than users had expected.

There were no big winners or losers among the various incentive forms. In fact, the year-to-year movement was remarkably uniform. Advances ranged from 6.8 percent for consumer mail-in promotions to 8.2 percent for sales incentive travel. Only retail premiums fell outside that narrow range, with trading stamps increasing just 4.5 percent and other retail promotion up only 3.5 percent.

There were some wider variations among user industries. The only four fields to show any significant growth in 1982 usage also stayed strong last year. Insurance companies, who had led the field with a 1982 expansion of 8.7 percent in incentive spending, added another 8.2 percent in '83, for a new estimated total outlay of $374,718,000. The runner-up in the previous year with an 8.3-percent increase—office equipment—last year spent 7.8 percent more, reaching a total of $175,169,000 in 1983.

THE INCENTIVE FIELD AT A GLANCE

	1982 EXPENDITURES	% CHANGE	1983 EXPENDITURES	% CHANGE
Sales Incentives	$2,312,145	5.6	$ 2,489,169	7.7
Merchandise	1,760,893	5.2	1,892,694	7.5
Travel	551,252	7.1	596,475	8.2
Dealer Incentives	$1,697,420	3.3	$ 1,823,227	7.4
Merchandise	1,122,693	2.9	1,207,834	7.6
Travel	574,727	4.1	615,393	7.1
Merchandise Total	$2,883,586	4.3	$ 3,100,528	7.5
Travel Total	$1,125,979	5.6	$ 1,211,868	7.6
Trade Total	$4,009,565	4.6	$ 4,312,396	7.6
Consumer Premiums	$2,804,652	2.5	$ 3,009,721	7.3
Mail-In Promotions	1,426,862	3.7	1,524,432	6.8
Other Premiums	1,377,790	1.2	1,485,289	7.8
Trading Stamps	$ 507,000	5.0	$ 530,000	4.5
Other Retail	$1,501,000	5.0	$ 1,554,000	3.5
Business Gifts	$ 957,000	8.8	$ 1,034,000	8.0
TOTAL USAGE	$9,779,217	4.5	$10,440,117	6.8

ALL FIGURES: 000 OMITTED

The other two principal gainers in the previous year expanded their incentive expenditures at higher rates in 1983. Industrial Chemicals quickened the pace from 6.8 percent to 7.7 percent at $64,533,000. Publishers and Broadcasters, who had expanded premium offerings 6.3 percent in 1982, increased their budgets last year by 7.4 percent, to $167,963,000.

At the other end of the scale, financial institutions continued their interest-rate promotion binge, but with a less steep drop in incentive spending last year. Banks and Savings & Loans in '82 had slashed 29.1 percent. In 1983, they retrenched by another 6.3 percent, to $144,459,000.

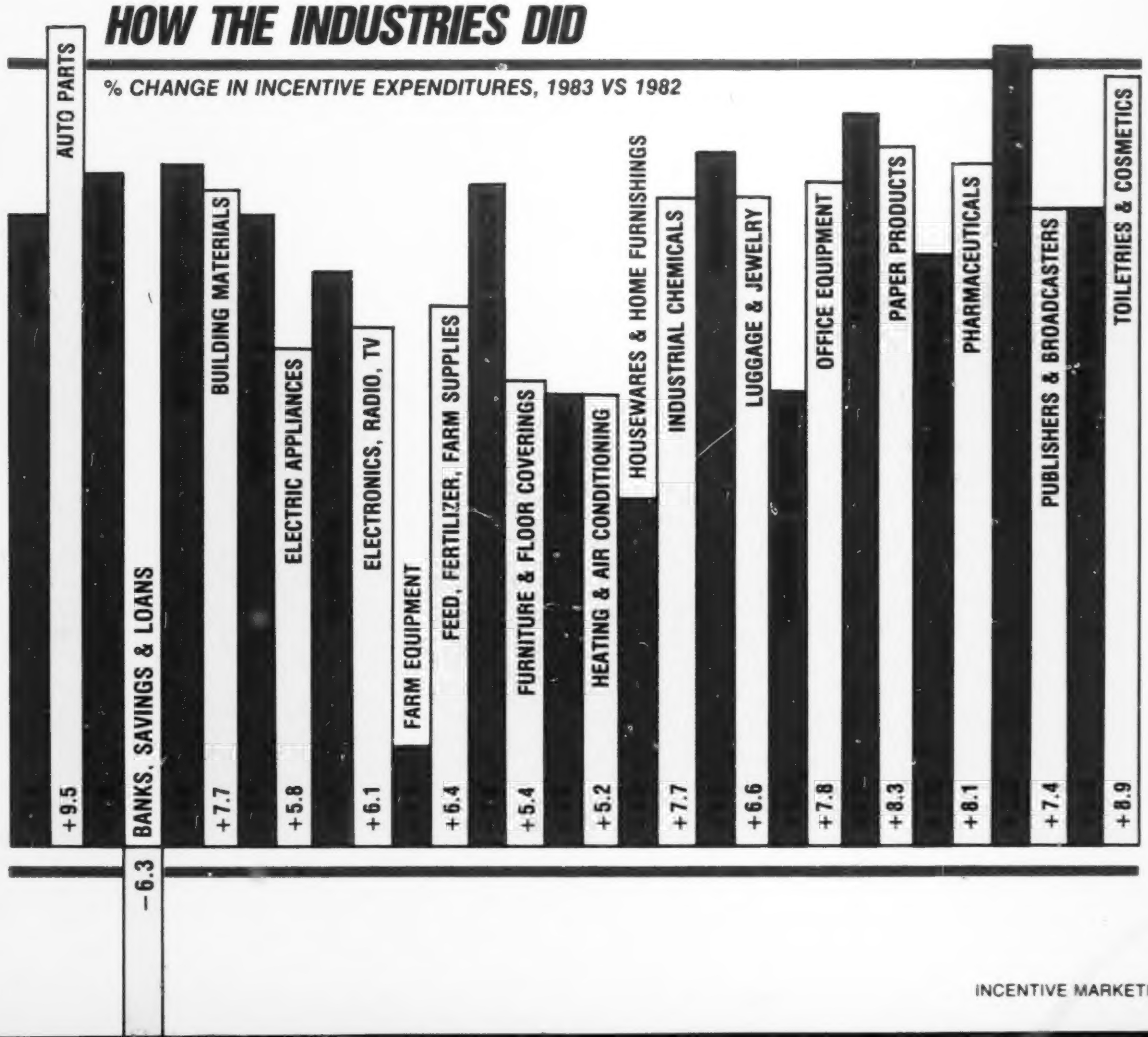
No other industries posted dollar declines last year, but the makers of farm equipment came closest to a standstill position with a 1.3-percent increase in expenditures. While agribusiness showed signs of a reasonable recovery, the effects had clearly not yet shown up as improvement in sales prospects for farm equipment. In 1983, farm equipment manufacturers spent an estimated $183,080,000 for incentives. Their promotion to dealers showed some increase, but they cut back motivational programs for salespeople.

The automotive industries provided the largest growth in 1983 expenditures. Auto & truck manufacturers increased their usage by 7.8 percent to $260,622,000, but the larger category of original and aftermarket equipment grew even more, up 9.5 percent. Auto Parts, Tires & Accessories accounted for incentive spending of $487,737,000 in 1983. Between them, the two automotive groups pumped an extra $61 million into the incentive market last year. As sales improved in the second half and manufacturers set some very optimistic production goals for the last quarter, it was expected they would enter 1984 at a strong promotional pace.

Food Processors outdid the automotive industry in sheer dollar power, increasing their promotional budget by a bit more than $75 million, or 7.9 percent, to go over the billion mark for the first time—$1,034,386,000. The retail end of the food business did not keep pace, however, and retail grocers increased their premium efforts by only four percent to an estimated $1,059,000,000.

Seven of the 30 industry groups tabulated upped their incentive spending by more

HOW THE INDUSTRIES DID



% CHANGE IN INCENTIVE EXPENDITURES, 1983 VS 1982

Fueled by the end of year recovery, the auto industries provided 1983's biggest gains. Auto & truck manufacturers hiked spending 7.8 percent, while the auto aftermarket companies put on a 9.5-percent increase.

than eight percent last year. In addition to the insurance and auto parts fields already mentioned, they were Public Utilities (9.2 percent); Toiletries & Cosmetics (8.9 percent); Paints & Varnishes (8.7 percent); Paper Products & Packaging (8.7 percent); and Pharmaceuticals (8.1 percent).

The biggest users—those estimated at $200 million a year or more in usage—are the same seven industries reported for 1982, and in the same order. As they did a year ago, they account for 39 percent of the volume of incentive expenditures reported:

• **Retail Grocers**	**$1,059,000,000**
• **Food Products**	**1,034,386,000**
• **Toiletries & Cosmetics**	**558,235,000**
• **Auto Parts, Tires, Accessories**	**487,737,000**
• **Insurance**	**374,718,000**
• **Electronics, Radio & TV**	**293,450,000**
• **Automobiles & Trucks**	**260,622,000**

There were several changes in 1983 among the Top Ten users of consumer premiums. Office Equipment moved into the tenth position, displacing Feed, Fertilizer & Farm Supplies. Some others shifted position: Beer, Ale & Soft Drinks moved a step above Housewares & Home Furnishings, an industry that increased its total spending only four percent overall, while the beverages added 7.9 percent to their incentive budget. Detergents & Cleansers dropped from sixth place to seventh, nosed out by Auto Parts, Tires & Accessories, the fastest-growing user industry last year in all incentive categories.

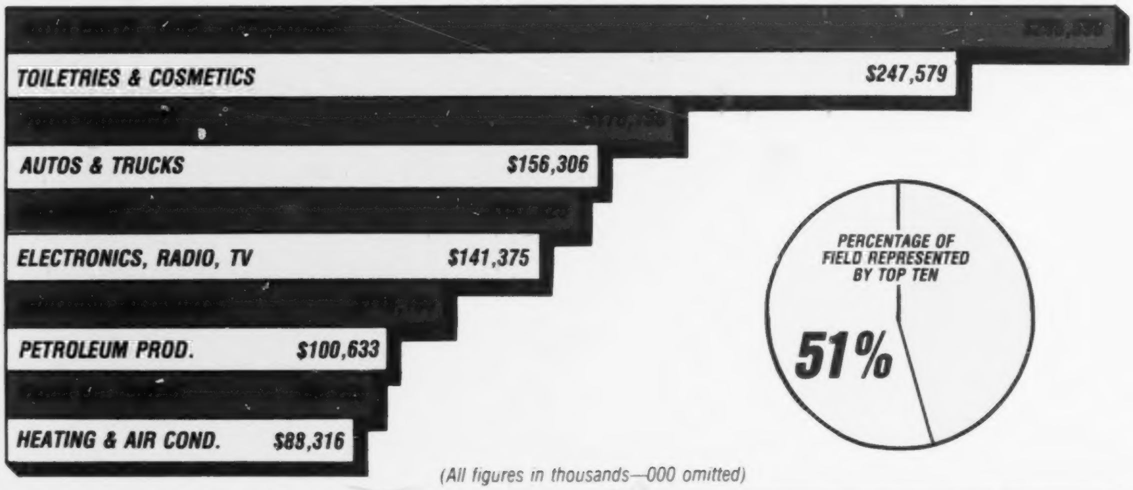
On the trade incentive side, Petroleum Products climbed a notch over the slumping Farm Equipment industry in merchandise expenditures, to become the seventh largest user.

Only among incentive travel users did perfect stability prevail in the ranks of the Top Ten, with Insurance far in front. These ten industries also represent the largest share of total usage in any category—67 percent of all travel dollars.

Among incentive techniques, sales force incentives last year increased more than the other two major categories—but the difference was minute: 7.7 percent, as compared with a 7.4-percent growth in dealer promotion and 7.3 percent for consumer premiums.

The 1983 estimated total of all sales incentive spending comes to $2,489,169,000. Of that, $1,892,694,000 was for merchandise awards and the remaining $596,475,000 for travel, 24 percent of the total. Travel growth was

TOP TEN MERCHANDISE TRADE INCENTIVE USERS (1983)



(All figures in thousands—000 omitted)

Food products became the first industry to spend more than $1 billion on incentive motivation, when it hiked spending 7.9 percent in 1983. About 80 percent of the money goes into consumer premiums.

a bit higher—8.2 percent—than merchandise, which rose by 7.5 percent.

During the recession years of 1981 and 1982, sales incentives had grown at a considerably more rapid pace than either consumer or dealer promotion—a characteristic trend in a recession period, when users exert the maximum motivational force to get their goods into the distribution channels. Thus the pick-up of other promotion types in the 1983 usage, relative to sales incentives, is another index of a recovery.

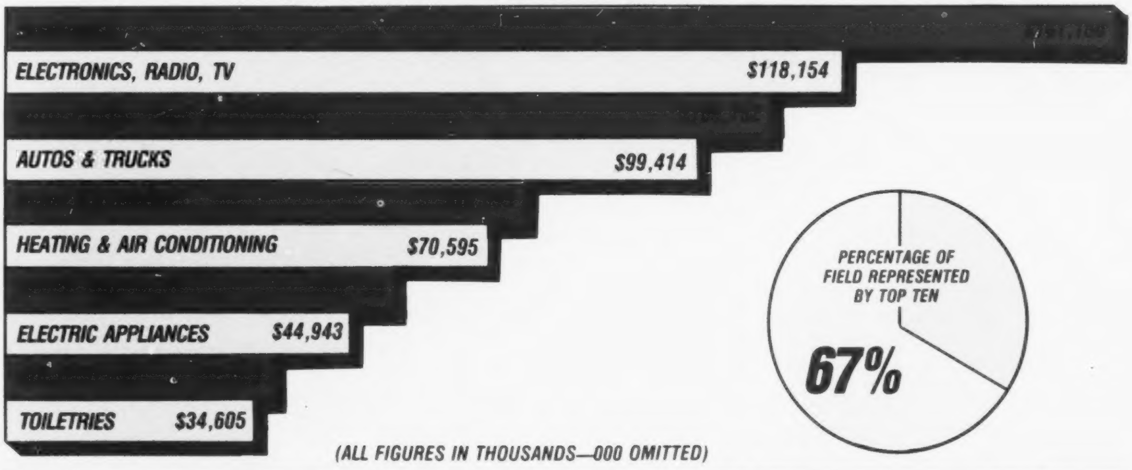
Dealer incentives, which usually are not far behind sales incentives in a recession, lagged in 1982—increasing at only 3.3 percent above the previous year. But in '83 they came back closer to parity, with a 7.4-percent rise to total usage of $1,823,227,000. An estimated $1,207,834,000 of that was spent for merchandise promotion, up 7.6 percent, while travel programs advanced 7.1 percent to $615,393,000.

There were no outstanding differences in 1983 growth in trade incentives, compared with consumer promotion in the same industry—with the exception of Banks and Savings & Loans. The financial institutions, following a 1982 pattern of severe cutback in all premium promotion, shifted slightly last year. While consumer offers to their depositors continued to decline, down another 9.1 percent, bankers accelerated their internal promotional efforts, with a 4.9-percent increase in sales force incentives.

Consumer activity last year showed an estimated overall increase of 7.3 percent, compared with only a 2.5-percent advance in 1982. That brought the '83 total to $3,009,721,000. Expenditures were split almost equally between mail-ins and all other premiums. Mail-ins (self-liquidators, free mail-in offers, and sweepstakes & contests) accounted for $1,524,432,000. Other premiums (direct premiums, factory-packs, and coupon plans) totaled an estimated $1,485,289,000. The figures represent a slightly greater expansion—7.8 percent for the direct group, compared with the mail-ins' increase of 6.8 percent.

This grouping of consumer promotion types—in two broader categories rather than six—is a new method of reporting adopted this year to improve data clarity and accuracy. Recently, traditional divisions have become increasingly less distinct. The term "self-liquidator," for example, has become a major element in bank promotion—although few such offers are mail-ins, as the term used to connote. "Direct premiums" suggest a retail-store situation, yet many users construe it in terms of mail promotion. Mail-in self-liquidators

TOP TEN INCENTIVE TRAVEL USERS (1983)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

and free offers have tended to blend together, with some promotions fitting both terms. The relatively recent term, "near-pack," used for a direct premium in the grocery field, was often reported with "factory-pack" expenditures.

In addition, the fine breakdown of categories has always presented a problem of accuracy in some industries, where incidence of a given technique may be so small that projecting estimates is very difficult.

Our special surveys will continue to segregate incentive promotion types in studying users' practices, but overall estimates of expenditures will be concentrated in the two main groups.

Within the two categories, usage has generally been divided quite consistently over the years, with only minor year-to-year variations. The only possible exception was the case of free mail-ins during the period of their rapid growth. In the Mail-In Promotion classification, 1982 estimates showed 61 percent of expenditures for self-liquidators, 27 percent for free offers, and 12 percent for sweepstakes & contests. In Other Premiums, 50 percent went to direct premiums, 28 percent to factory-packs (on-pack, in-pack, and container premiums) and the remaining 22 percent was spent for coupon plans.

Another major area of consumer promotional activity, but separately reported, is that of retail premiums—those offered at retail by dealers to their customers. Trading stamps, the biggest single element here, showed a rather small growth of 4.5 percent in 1983, compared with a five-percent expansion the year before. The new estimate of total stamp volume is $530,000,000.

All other retail incentive promotion rose only 3.5 percent last year, to an estimated $1,554,000,000. This grouping counts all non-stamp supermarket promotion, including continuities, and a wide range of offers by other types of retailers.

The retail volume may also be divided in another manner. Grocery retailers last year spent about $1,059,000,000. That represented a rise of four percent. All other types of retailers expanded premium effort by 3.5 percent to $1,025,000,000.

In an area that embraces both trade incentives and, to a lesser degree, consumer promotion—business gifts—1983 showed the greatest increase in usage, eight percent. The year's estimated expenditure was $1,034,000,000—the first time this category has gone over a billion dollars in one year. Legislation now pending in Congress could increase the allowable tax deduction per business gift from $25 to $100. If this bill becomes law—catching up with inflation since the old limit was set in 1962—it could influence even more growth in gift expenditures in the next year or two.

With or without legislation, the outlook for all types of incentive usage this year appears favorable. The economic recovery will continue through 1984—although, economists tell us, at a somewhat reduced rate—and many marketers who have been benumbed by the recession and the uncertain beginnings of recovery should be on the move in the next months. ■

	EXPENDITURES 1983	% CHANGE PRIOR YEAR	EXPENDITURES 1982	% CHANGE PRIOR YEAR
MISCELLANEOUS INDUSTRIES	**$991,907,000**	**+ 8.8%**	**$911,607,000**	**+ 5.3%**
TRADE INCENTIVES				
Sales Force Merchandise	$230,663,000	+ 9.1%	$211,364,000	+ 6.2%
Travel	$ 61,888,000	+ 8.8%	$ 56,884,000	+ 6.3%
Dealer Merchandise	$171,246,000	+ 9.0%	$157,142,000	+ 4.0%
Travel	$ 76,140,000	+ 8.1%	$ 70,444,000	+ 4.6%
CONSUMER PREMIUMS				
Mail-In Promotions	$215,152,000	+ 8.7%	$197,878,000	+ 5.7%
Other Premiums	$236,818,000	+ 8.7%	$217,895,000	+ 4.9%
DISTRIBUTORS & WHOLESALERS	**$775,054,000**	**+ 9.4%**	**$708,630,000**	**+ 6.3%**
TRADE INCENTIVES				
Sales Force Merchandise	$255,192,000	+ 8.9%	$234,364,000	+ 5.9%
Travel	$ 18,347,000	+11.8%	$ 16,407,000	+ 9.2%
Dealer Merchandise	$105,259,000	+ 8.9%	$ 96,692,000	+ 4.1%
Travel	$ 14,538,000	+12.3%	$ 12,941,000	+ 7.7%
CONSUMER PREMIUMS				
Mail-In Promotions	$224,882,000	+ 9.4%	$205,510,000	+ 6.6%
Other Premiums	$156,836,000	+ 9.9%	$142,716,000	+ 7.5%

	EXPENDITURES 1983	% CHANGE PRIOR YEAR	EXPENDITURES 1982	% CHANGE PRIOR YEAR
APPAREL	**$ 39,186,000**	**+ 7.1%**	**$ 36,601,000**	**+ 1.5%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 9,321,000	+ 6.3%	$ 8,770,000	+ 1.1%
Travel	$ 2,390,000	+ 9.3%	$ 2,186,000	+ 1.8%
Dealer Merchandise	$ 6,671,000	+ 7.8%	$ 6,186,000	− 0.1%
Travel	$ 134,000	+10.7%	$ 121,000	+ 3.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 9,156,000	+ 5.7%	$ 8,664,000	+ 5.6%
Other Premiums	$ 11,514,000	+ 7.9%	$ 10,674,000	+ 0.1%
AUTO PARTS, TIRES	**$487,737,000**	**+ 9.5%**	**$445,546,000**	**+ 4.3%**
TRADE INCENTIVES				
Sales Force Merchandise	$146,560,000	+ 8.2%	$135,468,000	+ 5.6%
Travel	$ 61,718,000	+10.6%	$ 55,824,000	+11.8%
Dealer Merchandise	$152,038,000	+10.3%	$137,827,000	+ 1.4%
Travel	$ 48,034,000	+ 9.4%	$ 43,919,000	+ 3.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 57,994,000	+ 9.8%	$ 52,837,000	+ 2.7%
Other Premiums	$ 21,393,000	+ 8.8%	$ 19,671,000	+ 4.8%
AUTOS & TRUCKS	**$260,622,000**	**+ 7.8%**	**$241,726,000**	**+ 3.0%**
TRADE INCENTIVES				
Sales Force Merchandise	$112,310,000	+ 7.5%	$104,461,000	+ 3.1%
Travel	$ 19,204,000	+ 7.4%	$ 17,881,000	+ 5.5%
Dealer Merchandise	$ 43,996,000	+ 9.8%	$ 40,052,000	+ 2.9%
Travel	$ 80,210,000	+ 7.9%	$ 74,316,000	+ 2.1%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 2,490,000	− 4.8%	$ 2,616,000	+13.6%
Other Premiums	$ 2,412,000	+ 0.5%	$ 2,400,000	+ 6.0%
BANKS, SAVINGS & LOANS	**$144,455,000**	**− 6.3%**	**$154,131,000**	**−29.1%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 29,815,000	+ 4.9%	$ 28,418,000	−15.2%
Travel	$ 2,120,000	+ 4.3%	$ 2,033,000	−27.0%
Dealer Merchandise	$ 2,293,000	+ 1.4%	$ 2,262,000	−25.1%
Travel	$ 281,000	+ 6.8%	$ 263,000	−24.9%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 22,840,000	− 8.3%	$ 24,910,000	−10.5%
Other Premiums	$ 87,110,000	− 9.5%	$ 96,245,000	−35.7%
BEER, ALE, SOFT DRINKS	**$148,027,000**	**+ 7.9%**	**$137,235,000**	**+ 5.1%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 33,181,000	+ 6.3%	$ 31,207,000	+ 4.4%
Travel	$ 8,633,000	+ 7.8%	$ 8,011,000	+ 3.9%
Dealer Merchandise	$ 17,214,000	+ 7.6%	$ 15,997,000	+ 6.0%
Travel	$ 3,899,000	+ 2.8%	$ 3,791,000	+ 3.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 50,088,000	+ 8.2%	$ 46,284,000	+ 5.5%
Other Premiums	$ 35,012,000	+ 9.6%	$ 31,945,000	+ 5.2%

	EXPENDITURES 1983	% CHANGE PRIOR YEAR	EXPENDITURES 1982	% CHANGE PRIOR YEAR
BUILDING MATERIALS	**$182,888,000**	**+ 7.9%**	**$169,760,000**	**+ 4.6%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 70,213,000	+ 6.1%	$ 66,204,000	+ 2.3%
Travel	$ 20,009,000	+ 10.5%	$ 18,111,000	+ 6.7%
Dealer Merchandise	$ 45,952,000	+ 10.0%	$ 41,773,000	+ 4.5%
Travel	$ 17,667,000	+ 8.8%	$ 16,239,000	+ 9.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,214,000	+ 4.7%	$ 17,399,000	+ 9.1%
Other Premiums	$ 10,833,000	+ 8.0%	$ 10,034,000	+ 1.7%
DETERGENTS & CLEANERS	**$150,179,000**	**+ 7.5%**	**$139,670,000**	**+ 3.3%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 70,213,000	+ 6.1%	$ 66,204,000	+ 2.3%
Travel	$ 20,009,000	+ 10.5%	$ 18,111,000	+ 6.7%
Dealer Merchandise	$ 45,952,000	+ 10.0%	$ 41,773,000	+ 4.5%
Travel	$ 17,667,000	+ 8.8%	$ 16,239,000	+ 9.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,214,000	+ 4.7%	$ 17,399,000	+ 9.1%
Other Premiums	$ 10,833,000	+ 8.0%	$ 10,034,000	+ 1.7%
ELECTRIC APPLIANCES	**$111,563,000**	**+ 5.8%**	**$105,456,000**	**+ 5.1%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 70,213,000	+ 6.1%	$ 66,204,000	+ 2.3%
Travel	$ 20,009,000	+ 10.5%	$ 18,111,000	+ 6.7%
Dealer Merchandise	$ 45,952,000	+ 10.0%	$ 41,773,000	+ 4.5%
Travel	$ 17,667,000	+ 8.8%	$ 16,239,000	+ 9.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,214,000	+ 4.7%	$ 17,399,000	+ 9.1%
Other Premiums	$ 10,833,000	+ 8.0%	$ 10,034,000	+ 1.7%
ELECTRICAL & LIGHTING	**$ 69,231,000**	**+ 6.7%**	**$ 64,871,000**	**+ 2.2%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 70,213,000	+ 6.1%	$ 66,204,000	+ 2.3%
Travel	$ 20,009,000	+ 10.5%	$ 18,111,000	+ 6.7%
Dealer Merchandise	$ 45,952,000	+ 10.0%	$ 41,773,000	+ 4.5%
Travel	$ 17,667,000	+ 8.8%	$ 16,239,000	+ 9.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,214,000	+ 4.7%	$ 17,399,000	+ 9.1%
Other Premiums	$ 10,833,000	+ 8.0%	$ 10,034,000	+ 1.7%
ELECTRONICS, RADIO, TV	**$293,450,000**	**+ 6.1%**	**$276,556,000**	**+ 5.7%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 70,213,000	+ 6.1%	$ 66,204,000	+ 2.3%
Travel	$ 20,009,000	+ 10.5%	$ 18,111,000	+ 6.7%
Dealer Merchandise	$ 45,952,000	+ 10.0%	$ 41,773,000	+ 4.5%
Travel	$ 17,667,000	+ 8.8%	$ 16,239,000	+ 9.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,214,000	+ 4.7%	$ 17,399,000	+ 9.1%
Other Premiums	$ 10,833,000	+ 8.0%	$ 10,034,000	+ 1.7%

	EXPENDITURES 1983	% CHANGE PRIOR YEAR	EXPENDITURES 1982	% CHANGE PRIOR YEAR
FARM EQUIPMENT	***$183,080,000***	***+ 1.3%***	***$180,737,000***	***− 0.6%***
TRADE INCENTIVES				
Sales Force Merchandise	$ 24,936,000	+ 0.2%	$ 24,881,000	− 1.6%
Travel	$ 22,014,000	+ 1.4%	$ 21,715,000	+ 1.4%
Dealer Merchandise	$ 71,322,000	+ 0.6%	$ 70,880,000	− 2.1%
Travel	$ 54,881,000	+ 2.4%	$ 53,617,000	+ 0.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,731,000	+ 1.9%	$ 4,643,000	+ 1.5%
Other Premiums	$ 5,196,000	+ 3.9%	$ 5,001,000	+ 2.0%
FEED, FERTILIZER, SUPPLIES	***$155,689,000***	***+ 6.4%***	***$146,331,000***	***+ 4.2%***
TRADE INCENTIVES				
Sales Force Merchandise	$ 25,910,000	+ 7.4%	$ 24,121,000	− 5.0%
Travel	$ 10,550,000	+ 8.6%	$ 9,717,000	+ 1.5%
Dealer Merchandise	$ 41,015,000	+ 4.9%	$ 39,103,000	+ 3.6%
Travel	$ 17,683,000	+ 8.9%	$ 16,233,000	+ 6.0%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 14,552,000	+ 4.9%	$ 13,877,000	+ 4.8%
Other Premiums	$ 45,979,000	+ 6.2%	$ 43,280,000	+ 4.8%
FOOD PRODUCTS	***$1,034,386,000***	***+ 7.9%***	***$958,834,000***	***+ 5.5%***
TRADE INCENTIVES				
Sales Force Merchandise	$ 97,108,000	+10.0%	$ 88,274,000	+10.0%
Travel	$ 17,325,000	+ 8.0%	$ 16,044,000	+10.8%
Dealer Merchandise	$ 79,048,000	+ 7.5%	$ 73,536,000	+ 2.5%
Travel	$ 6,425,000	+ 8.5%	$ 5,921,000	+ 4.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$461,256,000	+ 7.3%	$429,959,000	+ 7.2%
Other Premiums	$373,224,000	+ 8.1%	$345,100,000	+ 3.1%
FURNITURE & FLOORING	***$ 66,830,000***	***+ 5.4%***	***$ 63,393,000***	***+ 5.9%***
TRADE INCENTIVES				
Sales Force Merchandise	$ 11,124,000	+ 4.8%	$ 10,611,000	+12.4%
Travel	$ 3,203,000	+ 5.5%	$ 3,035,000	+ 6.3%
Dealer Merchandise	$ 28,125,000	+ 4.6%	$ 26,883,000	+ 6.0%
Travel	$ 14,600,000	+ 8.4%	$ 13,468,000	+ 2.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,885,000	+ 4.0%	$ 5,661,000	+ 4.9%
Other Premiums	$ 3,893,000	+ 4.2%	$ 3,735,000	+ 2.1%
HARDWARE	***$ 25,575,000***	***+ 5.2%***	***$ 24,306,000***	***+ 1.1%***
TRADE INCENTIVES				
Sales Force Merchandise	$ 6,634,000	+ 6.2%	$ 6,247,000	+ 2.4%
Travel	$ 1,724,000	+ 2.1%	$ 1,688,000	+ 3.4%
Dealer Merchandise	$ 7,815,000	+ 5.5%	$ 7,411,000	+ 0.5%
Travel	$ 683,000	+ 4.8%	$ 652,000	− 3.3%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,778,000	+ 5.9%	$ 4,510,000	+ 1.6%
Other Premiums	$ 3,941,000	+ 3.8%	$ 3,798,000	− 0.1%

	EXPENDITURES 1983	% CHANGE PRIOR YEAR	EXPENDITURES 1982	% CHANGE PRIOR YEAR
HEATING & AIR-CONDITIONING	**$172,374,000**	**+ 5.2%**	**$163,868,000**	**+ 5.0%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 24,062,000	+ 4.5%	$ 23,033,000	+ 6.4%
Travel	$ 31,964,000	+ 4.9%	$ 30,476,000	+ 8.3%
Dealer Merchandise	$ 64,254,000	+ 5.6%	$ 60,855,000	+ 3.1%
Travel	$ 38,631,000	+ 5.1%	$ 36,772,000	+ 5.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,819,000	+ 5.5%	$ 4,567,000	+ 6.4%
Other Premiums	$ 8,644,000	+ 5.9%	$ 8,165,000	+ 1.3%
HOUSEWARES, HOME FURNISHINGS	**$158,076,000**	**+ 4.0%**	**$152,041,000**	**– 2.0%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 39,104,000	+ 3.4%	$ 37,802,000	– 1.6%
Travel	$ 7,016,000	+ 3.4%	$ 6,787,000	– 0.4%
Dealer Merchandise	$ 21,321,000	+ 3.4%	$ 20,614,000	– 5.5%
Travel	$ 5,572,000	+ 3.4%	$ 5,388,000	– 2.1%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,121,000	+ 4.1%	$ 4,920,000	+ 0.8%
Other Premiums	$ 79,942,000	+ 4.5%	$ 76,530,000	– 1.6%
INDUSTRIAL CHEMICALS	**$ 64,533,000**	**+ 7.7%**	**$ 59,920,000**	**+ 6.8%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 12,181,000	+10.5%	$ 11,021,000	+11.5%
Travel	$ 4,515,000	+ 6.8%	$ 4,227,000	+ 8.1%
Dealer Merchandise	$ 26,060,000	+ 7.8%	$ 24,178,000	+ 6.0%
Travel	$ 5,815,000	+ 6.4%	$ 5,467,000	+ 3.2%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 3,603,000	+ 9.4%	$ 3,292,000	+10.1%
Other Premiums	$ 12,359,000	+ 5.3%	$ 11,735,000	+ 4.6%
INSURANCE	**$374,718,000**	**+ 8.2%**	**$346,279,000**	**+ 8.7%**
TRADE INCENTIVES				
Sales Force Merchandise	$142,084,000	+ 6.7%	$133,118,000	+ 8.8%
Travel	$120,388,000	+ 9.2%	$110,266,000	+ 8.4%
Dealer Merchandise	$ 9,736,000	+10.4%	$ 8,817,000	+ 9.9%
Travel	$ 41,188,000	+ 7.8%	$ 38,201,000	+10.9%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 53,942,000	+ 9.9%	$ 49,090,000	+ 7.8%
Other Premiums	$ 7,380,000	+ 8.7%	$ 6,787,000	+ 4.9%
LUGGAGE, JEWELRY, ACCESSORIES	**$ 18,502,000**	**+ 6.6%**	**$ 17,357,000**	**+ 3.1%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 5,816,000	+ 6.1%	$ 5,484,000	+ 8.1%
Travel	$ 2,019,000	+ 6.7%	$ 1,893,000	+ 1.6%
Dealer Merchandise	$ 3,765,000	+ 4.9%	$ 3,589,000	– 2.3%
Travel	$ 504,000	+ 9.3%	$ 461,000	+ 6.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,291,000	+ 7.4%	$ 3,994,000	+ 1.7%
Other Premiums	$ 2,107,000	+ 8.8%	$ 1,936,000	+ 8.8%

	EXPENDITURES 1983	% CHANGE PRIOR YEAR	EXPENDITURES 1982	% CHANGE PRIOR YEAR
MACHINERY & SUPPLIES	**$ 79,906,000**	**+ 5.3%**	**$ 75,919,000**	**+ 2.5%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 40,259,000	+ 5.1%	$ 38,304,000	+ 1.1%
Travel	$ 19,111,000	+ 4.9%	$ 18,211,000	+ 5.9%
Dealer Merchandise	$ 5,427,000	+ 5.8%	$ 5,131,000	+ 0.7%
Travel	$ 6,138,000	+ 6.0%	$ 5,792,000	+ 2.7%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,163,000	+ 7.5%	$ 4,801,000	+ 4.4%
Other Premiums	$ 3,808,000	+ 3.5%	$ 3,680,000	+ 1.4%
OFFICE EQUIPMENT	**$175,169,000**	**+ 7.8%**	**$162,442,000**	**+ 8.5%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 37,483,000	+ 6.8%	$ 35,106,000	+20.9%
Travel	$ 41,968,000	+ 9.8%	$ 38,219,000	+ 6.1%
Dealer Merchandise	$ 20,015,000	+ 5.8%	$ 18,911,000	+ 4.9%
Travel	$ 12,567,000	+12.0%	$ 11,221,000	+ 8.4%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 9,014,000	+ 7.9%	$ 8,352,000	+ 5.4%
Other Premiums	$ 54,122,000	+ 6.9%	$ 50,633,000	+ 4.7%
PAINTS & VARNISHES	**$ 42,024,000**	**+ 8.7%**	**$ 38,663,000**	**+ 3.9%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 10,088,000	+10.0%	$ 9,168,000	+ 2.0%
Travel	$ 3,137,000	+ 7.4%	$ 2,922,000	+ 7.7%
Dealer Merchandise	$ 7,587,000	+ 7.9%	$ 7,034,000	+ 3.2%
Travel	$ 7,376,000	+ 8.8%	$ 6,779,000	+ 8.7%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 9,644,000	+ 7.9%	$ 8,937,000	+ 2.4%
Other Premiums	$ 4,192,000	+ 9.7%	$ 3,823,000	+ 2.6%
PAPER PRODUCTS & PACKAGING	**$ 51,202,000**	**+ 8.3%**	**$ 47,270,000**	**+ 3.3%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 7,039,000	+ 8.7%	$ 6,473,000	+ 1.9%
Travel	$ 6,968,000	+ 8.9%	$ 6,397,000	+ 3.9%
Dealer Merchandise	$ 8,039,000	+ 7.4%	$ 7,482,000	+ 2.5%
Travel	$ 3,525,000	+13.2%	$ 3,115,000	+ 6.8%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 14,216,000	+ 8.0%	$ 13,167,000	+ 3.0%
Other Premiums	$ 11,415,000	+ 7.3%	$ 10,636,000	+ 3.9%
PETROLEUM PRODUCTS	**$183,925,000**	**+ 7.0%**	**$171,912,000**	**+ 1.2%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 43,211,000	+ 6.3%	$ 40,669,000	+ 1.7%
Travel	$ 6,923,000	+ 7.4%	$ 6,444,000	+ 1.1%
Dealer Merchandise	$ 57,422,000	+ 7.5%	$ 53,402,000	+ 2.3%
Travel	$ 7,417,000	+ 8.8%	$ 6,818,000	+ 3.1%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 27,040,000	+ 5.2%	$ 25,699,000	− 2.2%
Other Premiums	$ 41,912,000	+ 7.8%	$ 38,880,000	+ 1.1%

	EXPENDITURES 1983	% CHANGE PRIOR YEAR	EXPENDITURES 1982	% CHANGE PRIOR YEAR
PHARMACEUTICALS	**$101,048,000**	**+ 8.1%**	**$ 93,480,000**	**+ 4,7%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 35,818,000	+ 7.2%	$ 33,401,000	+ 4.1%
Travel	$ 9,423,000	+ 7.8%	$ 8,739,000	+ 2.8%
Dealer Merchandise	$ 15,810,000	+ 8.0%	$ 14,643,000	− 0.6%
Travel	$ 5,906,000	+ 7.8%	$ 5,481,000	+ 4.6%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 15,211,000	+ 9.1%	$ 13,945,000	+ 5.3%
Other Premiums	$ 18,880,000	+ 9.3%	$ 17,271,000	+ 2.4%
PUBLIC UTILITIES	**$ 17,129,000**	**+ 9.2%**	**$ 15,685,000**	**+ 1.6%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 4,182,000	+ 9.8%	$ 3,809,000	+ 2.4%
Travel	$ 2,024,000	+ 9.8%	$ 1,848,000	+ 4.4%
Dealer Merchandise	$ 2,316,000	+ 10.1%	$ 2,103,000	+ 1.6%
Travel	$ 259,000	+ 7.0%	$ 242,000	+ 14.7%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,302,000	+ 8.5%	$ 3,966,000	+ 1.3%
Other Premiums	$ 4,046,000	+ 8.7%	$ 3,722,000	+ 1.8%
PUBLISHERS & BROADCASTERS	**$167,963,000**	**+ 7.4%**	**$156,319,000**	**+ 6.3%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 68,040,000	+ 5.9%	$ 64,226,000	+ 6.1%
Travel	$ 9,161,000	+ 8.6%	$ 8,437,000	+ 4.0%
Dealer Merchandise	$ 8,842,000	+ 8.4%	$ 8,158,000	+ 3.1%
Travel	$ 4,088,000	+ 9.2%	$ 3,742,000	+ 9.6%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 52,008,000	+ 8.7%	$ 47,831,000	+ 9.2%
Other Premiums	$ 25,824,000	+ 7.9%	$ 23,925,000	+ 2.7%
SPORTING GOODS & TOYS	**$ 37,452,000**	**+ 7.4%**	**$ 34,860,000**	**+ 2.4%**
TRADE INCENTIVES				
Sales Force Merchandise	$ 6,549,000	+ 6.1%	$ 6,173,000	+ 2.4%
Travel	$ 4,724,000	+ 6.5%	$ 4,436,000	+ 4.9%
Dealer Merchandise	$ 7,355,000	+ 8.0%	$ 6,809,000	+ 0.8%
Travel	$ 3,524,000	+ 9.0%	$ 3,234,000	+ 5.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$ 7,482,000	+ 7.1%	$ 6,983,000	+ 1.9%
Other Premiums	$ 7,818,000	+ 8.2%	$ 7,225,000	+ 1.4%
TOILETRIES & COSMETICS	**$558,235,000**	**+ 8.9%**	**$512,812,000**	**+ 4.6%**
TRADE INCENTIVES				
Sales Force Merchandise	$178,154,000	+ 8.4%	$164,273,000	+ 4.6%
Travel	$ 25,417,000	+ 9.9%	$ 23,126.000	+ 15.2%
Dealer Merchandise	$ 69,425,000	+ 8.9%	$ 63,774,000	+ 4.0%
Travel	$ 9,188,000	+ 9.3%	$ 8,404,000	+ 2.5%
CONSUMER PREMIUMS				
Mail-In Promotions	$133,880,000	+ 8.9%	$122,993,000	+ 4.0%
Other Premiums	$142,171,000	+ 9.2%	$130,242,000	+ 4.0%

NOTE

ONLY THE FOLLOWING PAGES OF THIS

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Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

MARCH 1984

Insurance Update:

Looking for Incentive Muscle

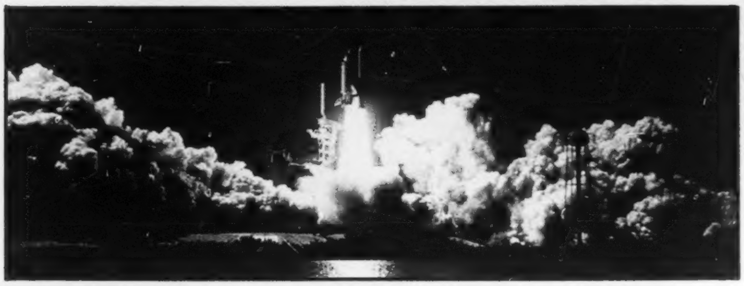
Special Section: Florida Incentive Guide

A BILL PUBLICATION

INCENTIVE M TING

Special Section: FLORIDA INCENTIVE GUIDE

March 1984



Why is Florida the number one domestic incentive travel destination? See page 45.

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Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

Looking for incentive muscle

Planners seek more bang for their incentive bucks

With insurance sales falling short of projections in 1983, and fewer agents qualifying for merchandise and travel awards, insurance incentive planners say they will be looking to get more for their incentive dollars this year. Despite a sluggish 1983, insurance marketing executives surveyed by **Incentive Marketing** say they plan to maintain or step up incentive usage. They blame last year's lackluster performance on problems in the insurance field itself, not on their incentive approaches.

"The program itself is not the problem," writes one insurance executive from Cincinnati. "The problem is the competition in the insurance business—getting the business in the face of extreme rate-cutting."

At Shelter Insurance Co. in Columbia MO, **Bill Conboy** agrees it's been a tough time for the industry. "We include profit as a qualifier for our travel incentives, and this has been a real challenge in our business the past two years. It has held down attendance."

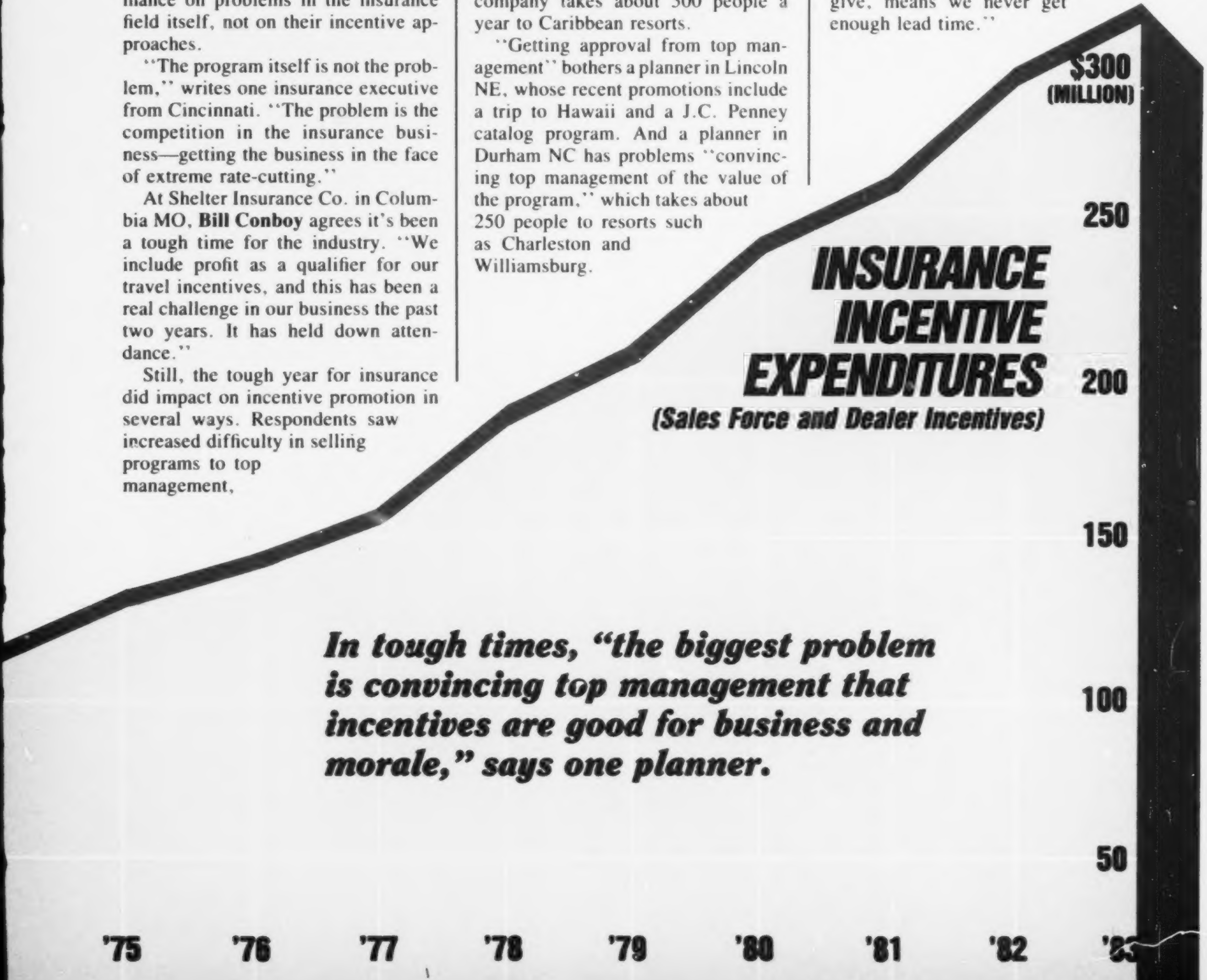
Still, the tough year for insurance did impact on incentive promotion in several ways. Respondents saw increased difficulty in selling programs to top management, and stepped-up concern about the cost-benefit of incentives. And there was, as always, grumbling about the increased cost of incentive awards, particularly travel.

"Our biggest problem is convincing top management that travel incentives are good for business and morale," says a planner in Buffalo NY. "Also that the promotion program is worth the cost, and that travel incentives are more valuable than merchandise." His company takes about 500 people a year to Caribbean resorts.

"Getting approval from top management" bothers a planner in Lincoln NE, whose recent promotions include a trip to Hawaii and a J.C. Penney catalog program. And a planner in Durham NC has problems "convincing top management of the value of the program," which takes about 250 people to resorts such as Charleston and Williamsburg.

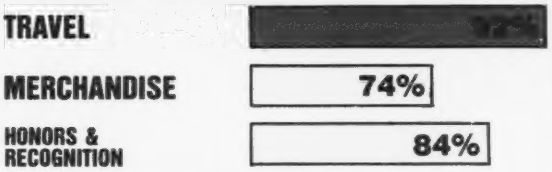
At Tristate Insurance in Minneapolis however, **L.K. Sargent** got the approval, and looks forward to his company's first travel program, anticipating about 150 people for Las Vegas.

Delays in approval, for whatever reason, lead to another problem, notes **Pat Zollicoffer** at Home Security Life in Durham NC. "Trying to get the marketing department to decide where we will go, and what we will give, means we never get enough lead time."

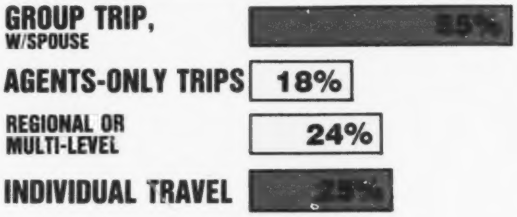


In tough times, "the biggest problem is convincing top management that incentives are good for business and morale," says one planner.

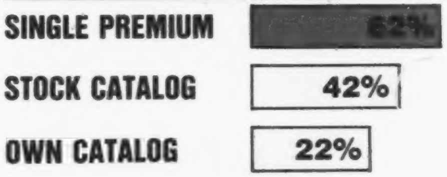
TYPES OF AWARDS USED



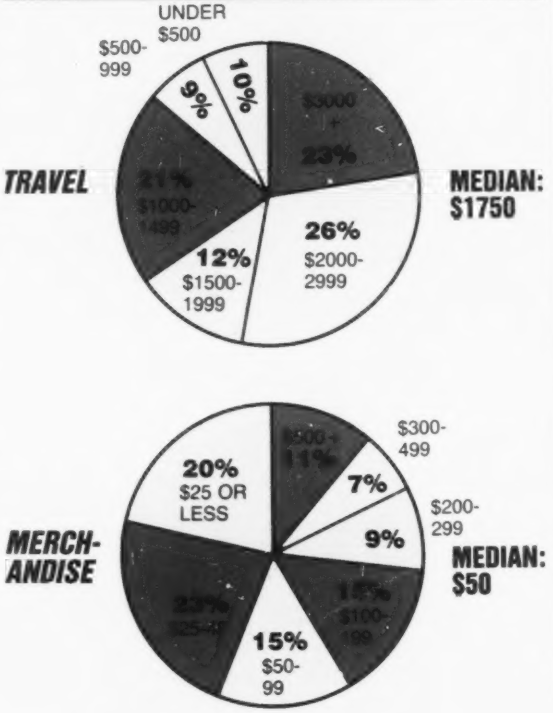
TYPES OF TRAVEL (% OF TRAVEL USERS)



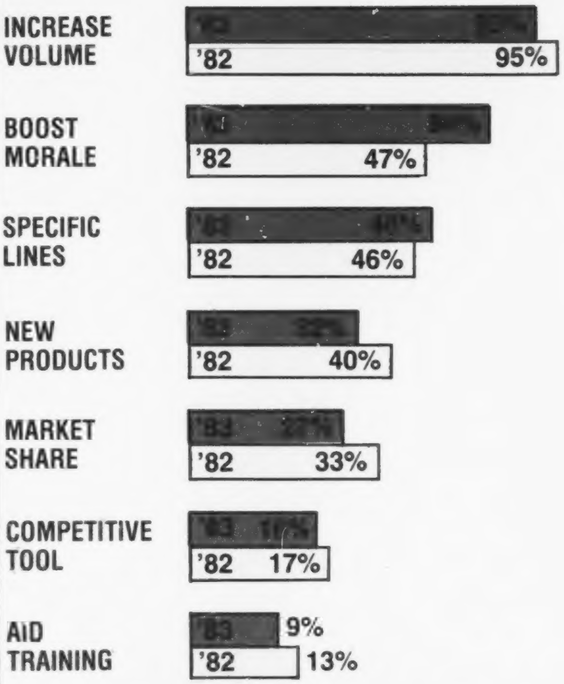
TYPES OF MERCHANDISE



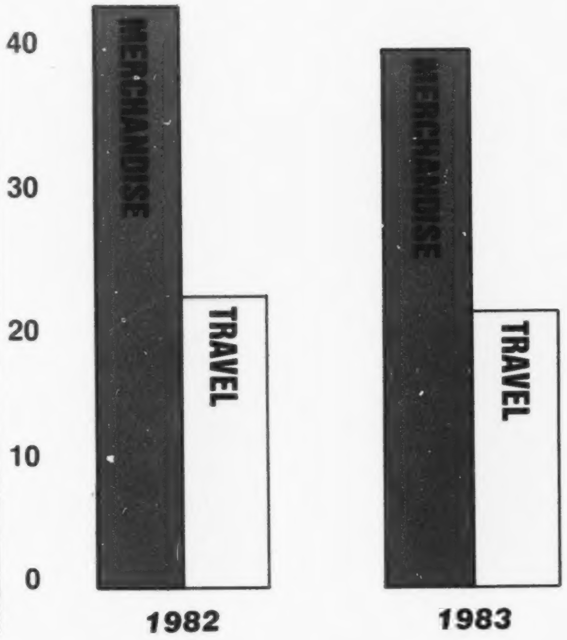
COST OF AWARDS



WHY USE INCENTIVES?



% OF AWARD WINNERS



One-hundred and forty insurance marketing executives responded to **IM**'s insurance survey, giving a picture of their incentive usage in 1983 and hopes for 1984. The response is similar to an **IM** survey done a year ago, and pinpoints interesting shifts in incentive policy. About half of the survey respondents identify themselves as life insurance companies, 13 percent as property and casualty underwriters, and about a third as handling both types. There was also a sprinkling of miscellaneous insurers, typically providing medical and health coverage.

Survey respondents tend to be from large companies, with about half selling through 1000 or more agents. In last year's survey, the average was 1600 agents per respondent.

Reflecting **IM**'s readership, these companies are heavy users of travel and merchandise incentives. Travel expenditures ranged up to $6 million, reported by one midwestern company. The average—distorted by a few multi-million dollar budgets—was $750,000; the median travel expenditure was $150,000 per travel-using respondent. In addition, these respondents spend an average of $113,000 a year on merchandise incentives. The median merchandise budget was about $50,000.

Insurance companies hold several distinctions in the incentive field. They are the largest user of sales force incentives, spending $262,472,000 in 1983, which was about 7.8 percent more than a year earlier. Insurance companies are also the largest user of travel incentives, and the only industry which spends more incentive dollars on travel awards than on merchandise.

This year's special survey points out similarities and differences between insurance companies and other users of incentive promotion. In general, these key points emerge:

- Insurance companies are above-average users of travel incentives. Their per-winner trip cost is significantly higher—but their trip programs run, on average, about one night shorter. A good deal of that extra money probably goes into on-site business meetings, which insurance companies run at an above-average rate.
- They are below-average users of merchandise incentives, running about two campaigns a year. Award costs run slightly below the general industry survey, with a median of $50.

When insurance companies use incentives, it is for the most practical of reasons. The goal, says **K.E. Vanriper** at Farmers & Traders Life Insurance in Syracuse NY, "is to appeal to qualifiers to effectively activate them to produce more than they normally would." He uses two trips a year, taking 50 to 100 people to San Diego, Greenbriar, Boca Raton, and Smuggler's Notch.

The biggest change in this year's survey was the increase in number of firms using incentives to "boost sales morale." Top goal remained "increasing overall volume."

When asked what goals they set for incentive programs, 93 percent of this survey group checked "Increase Overall Volume." The biggest change in this year's survey was the jump in "Boosting Sales Morale" as an incentive goal. Sixty-four percent of this survey group gave that as an incentive reason, against 47 percent last year. In surveys of general industry, "morale-building" has normally run third or fourth, getting about 47-percent response. "Selling New Products," which normally takes second place in general surveys, finished fourth in both insurance surveys.

The incentive of choice for these executives is travel. Ninety-two percent of this survey group reports using travel incentives on a regular basis, lumping together group travel (with or without spouse), regional trips, and individual travel awards. Merchandise awards are used by 74 percent of the respondents, while 84 percent indicate they run honors & recognition programs.

One trip a year fits neatly with the length of the travel promotion for many of these companies. Fifty-five percent of the travel users put their qualification period at 52 weeks; 15 percent said it runs a bit longer—typically, 15 to 18 months—while the remainder have shorter qualification periods. The mathematical average is 45 weeks, a bit longer than last year, when the average was put at 41 weeks. Many companies, it seems, are on a cycle of back-to-back trip qualifications, running one convention or incentive while in the middle of qualifying for another.

This presents a contrast to the travel practice in other industries, which tend to favor shorter qualification periods. An **IM** survey of travel users in other industries (October 1983) put the qualification period at about 28 weeks; 26 percent reported a qualification period of a year or longer.

A 52-week qualification period is not without problems. "Keeping people motivated over a long period of time" bothers **S.M. Agnos** at Certified Life in Sherman Oaks CA. And from Combined Insurance Companies of Northbrook IL, **H. Shapiro** says "the immediate impact is great. However, it loses steam. Keeping it alive within the sales force is a problem."

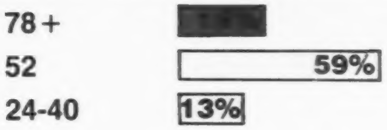
For these companies, incentive travel increasingly means agents and spouses, with 85 percent using couples trips. It's a lower percentage than the all-industry average, which typically is in the high 90s, but still an improvement over the year-ago figure for insurance companies. "Agent-only" trips are run by 18 percent of the travel users, and individual travel awards are used by 25 percent. Both figures are the same for 1983 and 1982.

When asked where they are going, survey respondents came up with 335 trip reports, covering almost the entire world. But for the top spots, there were few surprises, with Hawaii, California, and Florida continuing to jockey for 1-2-3 position. "The weather is our greatest problem—because of golf," writes a planner from the midwest. His solutions include Marco Island and Pebble Beach.

The groups they took in 1983 were a bit smaller, with an average of 272 people, against 284 a year ago. The

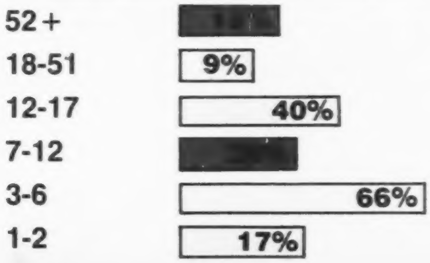
LENGTH OF PROMOTIONS

TRAVEL (IN WEEKS)



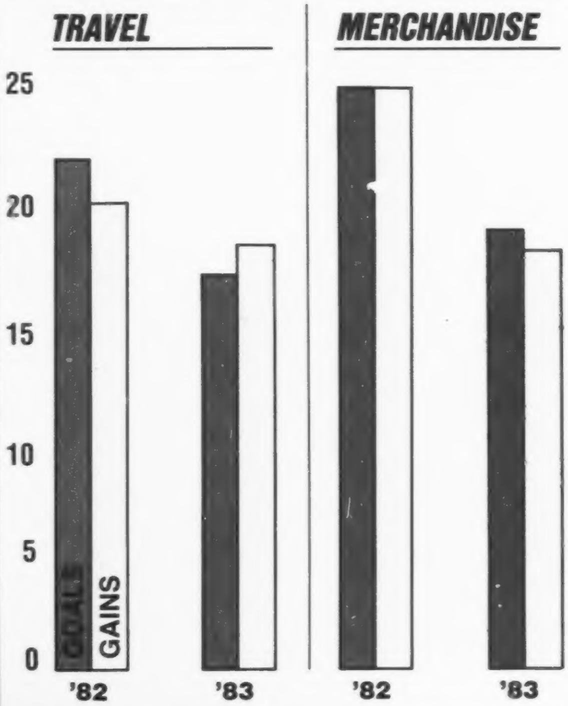
AVERAGE: 45 WEEKS

MERCHANDISE (IN WEEKS)



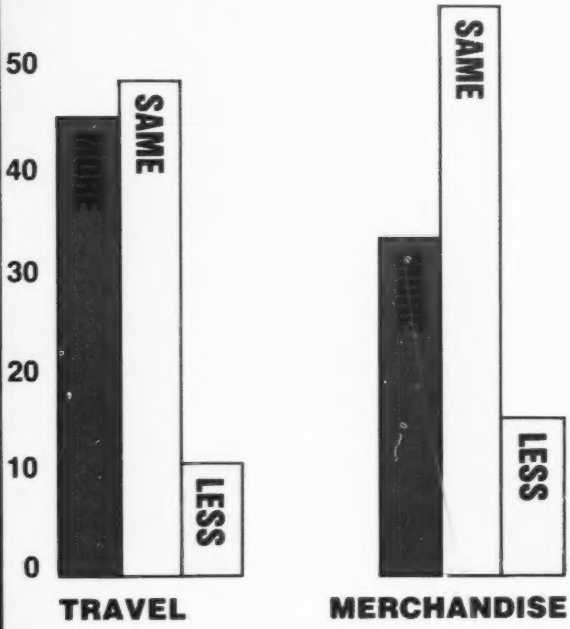
AVERAGE: 11 WEEKS

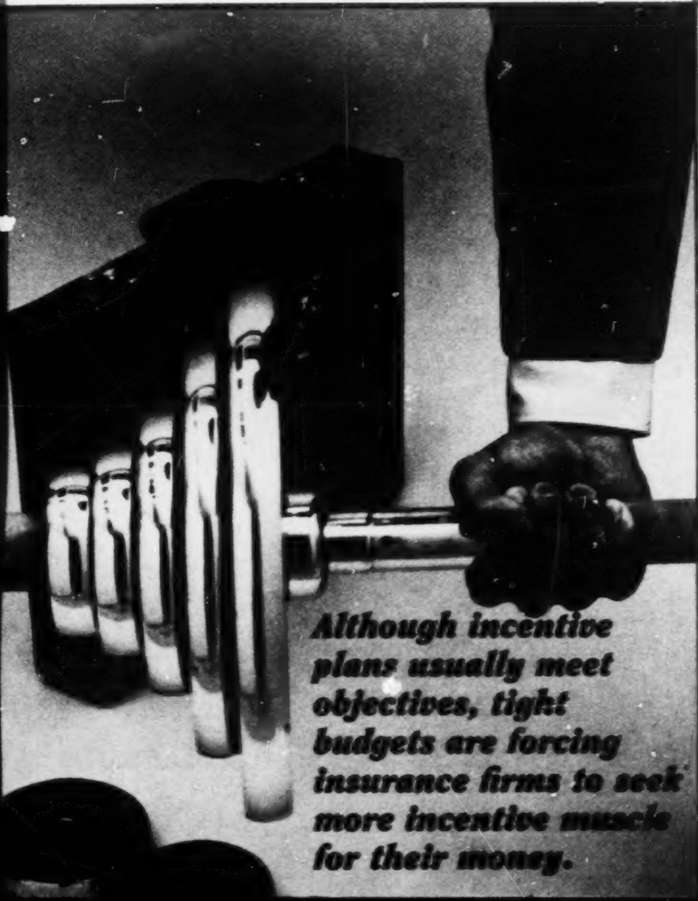
GOALS & GAINS



THE OUTLOOK

% OF USERS PLANNING TO SPEND . . .





Although incentive plans usually meet objectives, tight budgets are forcing insurance firms to seek more incentive muscle for their money.

median rose slightly, to 150 this year, from 125. Reflecting this shift, there was a slight decline in the number of programs taking 60 or fewer people. This year and last, 29 percent of the survey group put their groups at 300 or more guests. This year, 24 percent put them at 60 or fewer, against 30 percent last year.

This year's survey group reports an average trip cost of $1895 per couple, against $1940 for last year's insurance group. The median was $1750 per couple, up slightly from a year ago.

Several planners voiced the idea of searching for "sites that are within the budget, yet seem to be higher priced." "With ever rising costs, the greatest problem is getting the most you possibly can out of your dollar" says one Rock Island IL planner.

The big trend, as in the past several surveys of incentive users, is the problem of declining qualification rates. This year's survey reported a record low level of trip qualifiers—20 percent, on average, of the eligible participants—against 22 percent earning a trip in last year's insurance survey. In the most recent survey of overall incentive users, 26 percent of the typical sales force qualified for a trip.

The decline in qualification is probably a mixture of several factors. Rising travel costs play a role, as survey respondents are quick to note. A tough economic year does not help. On the positive side, however, is the fact that travel awards are today being offered to many more salespeople than a decade ago. A broader base may send more people on a trip—but actually take a lower percentage of eligible participants.

Planners are, judging from their comments, unhappy with the falling qualification rate, and searching for solutions. "The challenge is getting maximum motivation from the entire group," says **Paul G. Snow** at Family Life Insurance in Houston. "The winners (20 percent) always go after it. It's the remaining 80 percent that need special individual challenge to win."

The numbers on sales increases also tell the story of a tough year. In travel programs, this group set an average goal of a 17-percent sales increase. They reported an average increase of 18 percent. But the 57 percent of survey respondents who gave figures for both goals and results perhaps give a more accurate picture. Of those, only one-quarter had results higher than goals. For the rest, results were equal to—and in one-third of the cases, below—the goals listed.

Some of this probably reflects the nature of travel campaigns—running 12 months a year, with no break, it's hard to know just what might have happened without any incentive at all.

Companies also got a bit tougher with agents this year, raising qualification levels. This group puts the minimum payoff at 91 percent of quota, and tops out at 130 percent. The comparable figures for last year's insurance survey were 79 percent and 112 percent. The 1983 group seems a bit more in line with overall industry performance, which starts awards at 99 percent, and finishes at 120 percent.

Insurance firms got a bit tougher with their agents, raising contest qualification levels. Minimum payoff was 91 percent of quota this year, compared to 79 percent of quota last year.

The common goal, however, was 100 percent. Fifty-eight percent of this survey group gave that answer (mainly in travel programs), indicating agents either hit the goal and earn the trip or don't.

If insurance companies are big spenders on travel awards, they spend less than average on merchandise incentives. This year's survey group reports an average awards cost of $144, against $175 a year ago. In both years, the median cost of a merchandise award is $50. In the more general sales incentive survey, the average award cost is $238, and the median $80.

Part of that below-average cost may be attributed to the insurance industry's above-average use of honors and recognition programs, which can confer big prestige with relatively low-cost awards. Another contributing factor are the New York state laws, which informally set limits on what can be spent.

This year as last, the median is two merchandise promotions a year, usually run apart from the ongoing travel promotion. They average 11 weeks in length, against 13 weeks a year ago. The most mentioned promotion periods were 3-6 weeks, (38 percent of the respondents), and 12-13 weeks, favored by about 20 percent. About 10 percent indicate they run year-long merchandise promotions; typically a travel and merchandise catalog campaign.

The favored format continues to be the "single premium, or small group of related awards," used by 62 percent. A stock incentive catalog is used by 42 percent, and 22 percent develop their own incentive catalogs.

The outlook for 1984, judging from these executives, is for the same gentle rate of growth, with travel slightly outpacing merchandise. Forty-three percent of this group plans to hike their travel budget in 1984, 31 percent plan increased merchandise promotion. Spending "about the same" is the game plan for 47 percent of the travel users, and 56 percent of the merchandise promoters. Cutbacks are coming at 10 percent of the travel programs, and 13 percent of the merchandise.

These figures match up with a general trend in the last few years: steady decreases in the number of companies planning big hikes in incentive spending. In recent surveys, the percentage of users picking "Same Level" or "Reduced" spending has increased.

On merchandise promotions, 35 percent gave the same dollar figures for both years, while 16 percent indicated a cutback in dollar terms.

Perhaps for most planners, the incentive challenge in 1984 will be the one posed by **Florence Brunner** at INA in Philadelphia, who runs a two-tier travel program for about 500 people, visiting Hawaii and Copenhagen, Monte Carlo, and Puerto Rico. "Our greatest challenge is making each program even better than the year before!" ■

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Incentive Marketing

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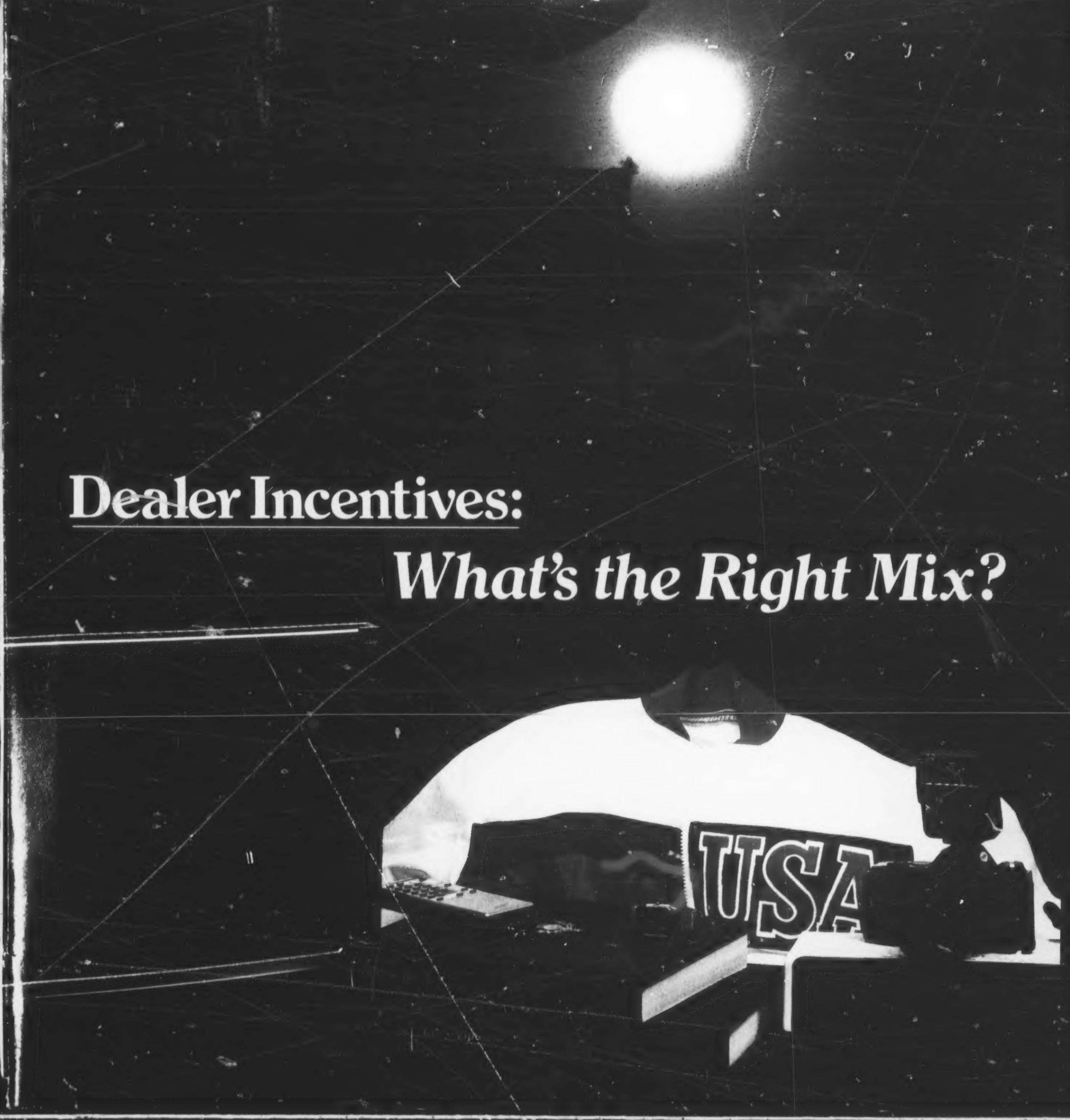
APRIL 1984



Dealer Incentives:

What's the Right Mix?

INCENTIVE MARKETING

DEALER INCENTIVES · SA

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Special Section: SAN DIEGO UPDATE

April 1984

Whether your group prefers meandering among the Zoo's koalas or swilling tequila while jouncing atop thoroughbred-racing burrows, San Diego's ground operators, hoteliers, attractions, and visitors bureau can help design the perfect itinerary. See page 61.

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80th Year
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Dealer Incentive Survey

Execs' optimism follows last year's spurt of activity

Skies brightened for users of dealer incentives last year, thanks to better trade acceptance and fairly stable costs.

This year's **IM** survey indicates that an improved economy spurred more dealer activity in 1983, with executives estimating a 7.4-percent increase in usage over 1982. This is a marked improvement over the prior year, which saw a meager 3.3-percent gain in use of dealer programs.

In addition, the 169 executives surveyed by **IM** said they expect to see about a 10-percent rise in dealer promotion this year, pushing total volume over $2 billion, up from 1983's estimate of $1,823,227,000.

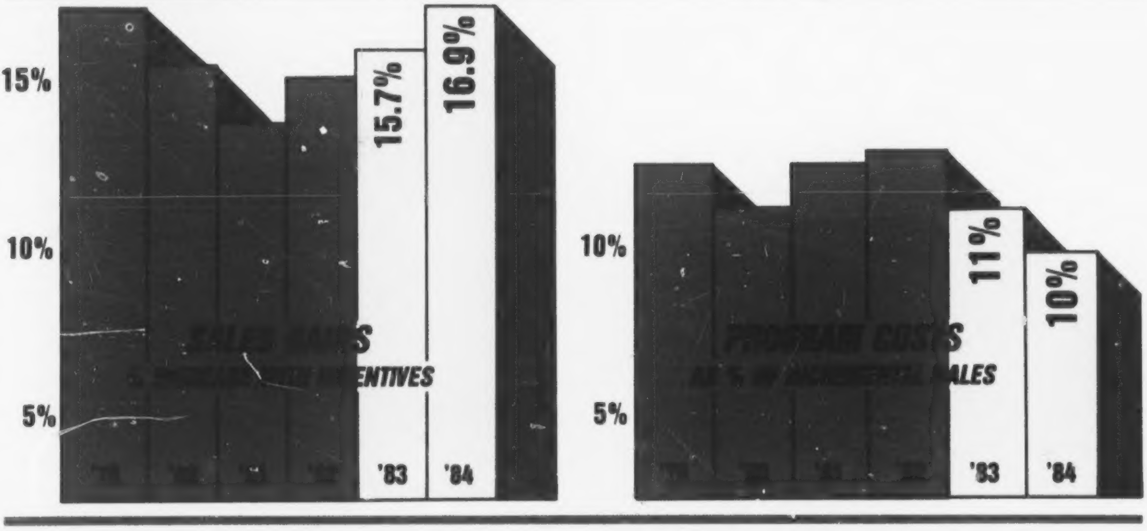
The executives said they would increase their incentive budgets this year by 12.2 percent for merchandise and 5.8 percent for travel programs. And the number of companies forecasting increases was up sharply from previous reports: 55 percent said they are spending more this year, compared with 28 percent who planned to raise budgets a year earlier.

With retail and wholesale inventories pared to the bone in many cases during the recession, it required only a clear recovery signal to open some channels, and dealer incentive users appear to have done so. Where nine of the 10 largest user industries showed flat expenditures in 1982, six of them were well above the average for 1983. In only one case—the still-ailing farm equipment industry—was there a truly weak showing last year, with a 1.4 percent increase in incentive spending. Even with inflation slowed to 3.8 percent, that still represented a retreat in promotional effort.

The biggest upturn in dealer promotion came in the automotive aftermarket, which is the largest single user of this type of incentive. Auto Parts, Accessories and Tires showed an estimated expansion of 10.1 percent in their multi-level usage of incentives. Car manufacturers did not quite match that pace, but their improving fortunes last year brought an 8.6-percent rise in their estimate for this year's dealer promotional expenditure.

Although auto parts firms continue as major users of dealer incentives, one executive pointed to a trend that has been building for a few years. "With the overabundance of auto industry dealer incentives," said Ken Marshall of Tridon Inc., Nashville TN, "we are moving more in the direction of consumer programs." Although Marshall's budget plans show

THE BOTTOM LINE: SALES WENT UP, COSTS WENT DOWN



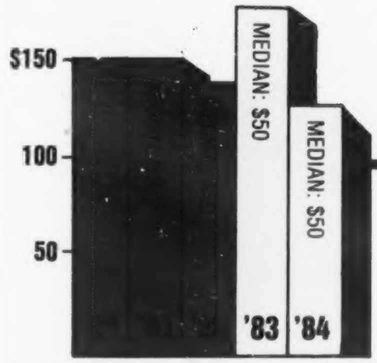
a good increase in dealer promotion, his consumer forecast is almost three times as large.

The top ten users of incentives for dealers are the same as they were in 1982, and in the same order of dollar volume, ranging from the aftermarket's $200-million plus down to more than $58 million by Feed, Fertilizer and Farm Suppliers. They account for about 56 percent of the entire dealer promotion expenditure, the same share they had in the 1982 estimates.

The survey indicates four factors that point to a very healthy picture:

- Sales increases reported by these marketers are better than those recorded in the past couple of years.
- Dealer acceptance of and qualification for incentives is at a higher rate than seen for some time.
- Unit cost of awards has held relatively well—merchandise median cost are unchanged, with travel up only a little.
- Promotion cost in relation to incremental sales has remained at the same level reported a year ago.

MERCHANDISE AWARDS



Merchandise award costs averaged $125 for this group, lower than last year's $178.

Dealer incentive campaigns are aimed at various middlemen. Always a key group, and one weighted a little more heavily than usual in this survey, is wholesalers and distributors; 49 percent of the users in the present survey said their programs are directed toward such firms. Commercial and industrial contractors are another major target, for whom 29 percent of executives conduct promotions. And 43 percent go to the retailer—supermarkets, drug stores, service stations, variety and specialty stores. Another 25 percent of these companies use incentives to motivate other types of dealers, including beauty salons, boat dealers, insurance brokers, tire dealers, agricultural stores, automobile dealers, nurseries, newsstands, lumber dealers and travel agents.

In merchandise purchases, respondents said they are now averaging $96,730 per company; travel budgets, which have tended to be somewhat larger in some recent studies, are a bit smaller among these respondents, averaging $82,860 for this year. Without regard for the type of award used, their average overall spending for this year is expected to be $112,835.

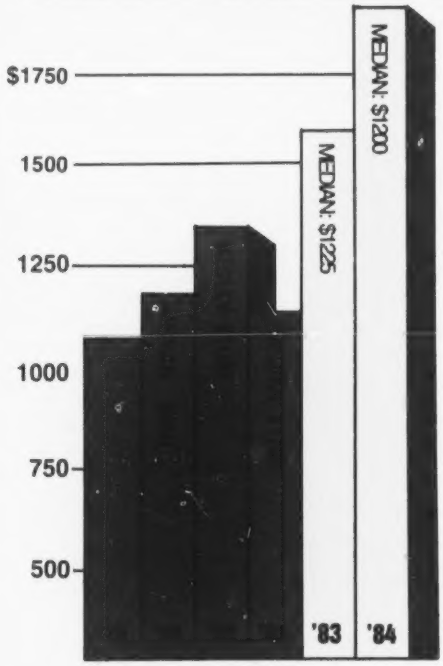
In addition to the money actually spent for purchase of merchandise and travel, marketers budget a considerable amount to promote their campaigns. This survey group reports that 73 percent of total budget goes toward awards, with the other 27 percent spent to promote and support the effort. This is a similar ratio to past dealer surveys.

If that ratio is applied to the total 1983 estimated usage of incentives—$1,823,227,000—then more than $674 million was added to it to promote incentive offers to the trade. Thus, American business is spending just under $2.5 billion to motivate middlemen.

Marketers have many reasons for offering incentives to the trade. The bottom-line goal of most is, of course, additional sales, and "increase overall volume" is always the front-running objective stated in the surveys—by 70 percent in this case. Among the more specific targets, the traditional leaders—introducing new products and moving the full line or slow items—

CONTINUED ON PAGE 37

TRAVEL AWARDS



Travel costs rose from $1690 last year to $1890 per trip (for two people). But the median actually dropped by $25. Per-person trip costs averaged $1169.

1983's estimated usage of dealer incentives was $1.8 billion. Adding an estimated $674 million for promotion, that means American business spent just under $2.5 billion to motivate the middlemen.

still hold second and third positions, but both get much less emphasis in this survey.

In relation to retail sales effort, these firms are putting less emphasis on obtaining store displays and supporting consumer promotions—but much greater stress on building traffic at retail.

Two dealer promotions per year are generally the rule among these executives. That is the median number found for merchandise programs, for travel campaigns, and for combination promotions, when considered separately. Among those who mix these types, the median moves to three a year.

The length of these promotions varies by type, but this year's respondents have tightened the selling time by two to four weeks in the case of every promotion type except dealer sweepstakes, which are now running about a week longer than last year's survey group had said. Planning time, too, has been cut—from 17 to 15 weeks for merchandise promotions, and from 28 to 27 weeks for travel campaigns. On the whole, though, experienced users are still spending more time in planning and preparation stages than they do pushing in the field.

When that push begins has not changed appreciably. January is the leading month in this survey, as it often has been—largely because of the number of year-round campaigns that are launched then; on a frequency basis, 18 percent of programs noted in this survey show January starts. September is second with 15 percent, followed by October with 11 percent—making fall the heaviest two months of the year. For the rest of the year, campaign launches range from five to eight percent per month.

The company's own sales force remains a favorite method of reaching dealers with the message of the incentive program—listed by 72 percent of the executives. A fair second route is direct mail, used by 41 percent. Tied at 30 percent are dealer sales meetings, in-packaged literature, and trade shows. And 25 percent of these companies count on wholesalers or brokers to carry the word. Only 9 percent believe in using trade paper ads for the job. The totals far exceed 100 percent, reflecting the fact that these users rely on an average of about two and a half different media for their incentive messages.

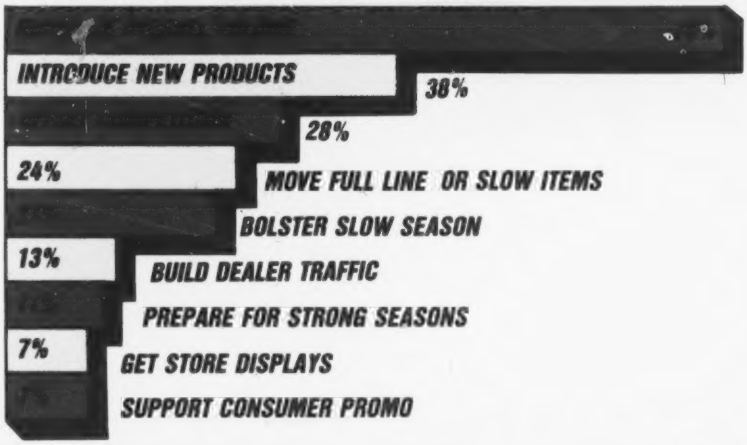
And then what happens? Evaluating the results yields numerous observations, starting with the key objective and moving through the entire program to the end result—product movement. And most executives have doubts along the way: Did we write the program in the best possible way to get at *this* objective? Was our record-keeping designed to get the most meaningful information? Is our field management working as effectively as it should? And, if the program really seemed to work—did the incentive do it, or was it the market, or the competitive situation, or did the economy distort our reading of the results?

In the end, though, the basic measure is sales dollars reasonably attributable to the promotion. And in this respect the executives in the current survey report good news. The average sales increases for the *same* group of companies in 1982 came to 11.5 percent—in 1983 to 14.2 percent—and this year they anticipate an average of 16.9 percent, higher than in several years. The median of their gains was not far below the average—15 percent, against respective medians in the two earlier years of 10 and 12 percent.

Certainly a major contribution to this result was the fact that these executives experience a much stronger participation in the trade than in the recent past. They report that dealer qualification for both merchandise and travel programs has come back up above the 50-percent mark, where it had been several years ago. Travel, which recently has found lighter participation levels, nosed out merchandise in their experience, by 56 percent to 55 percent average. And in both cases the median was a higher num-

WHAT CAN DEALER INCENTIVES DO?

% OF RESPONDENTS REPLYING TO EACH OBJECTIVE



ber, indicating a large incidence of good trade acceptance; both medians are 60 percent. A similar survey just a year ago showed a merchandise program average of 49 percent and median of 50 percent—with travel at a 41-percent average and only 35-percent median qualification.

These marketers are doing the job—getting more participation and better sales—at no increase in cost, for the most part. The median percentage of incremental volume spent for the incentive program stands at 10 percent—actually one point below last year's survey figure. The average is a different matter, however—17 percent, compared with an average of only 12.5 percent a year ago. This shows that not every company is enjoying the improved performance costwise—a minority has recorded some quite high costs in recent programs. But the total picture is, nevertheless, one of satisfying cost-effectiveness.

This is, in part at least, a corollary of containment of unit award costs. The average expenditure per merchandise award in this survey is $125—lower than last year's—and the median remains at $50. For travel, the average rose to $1890 per trip (for two, usually), from $1690 in our last report. But the median actually dropped a little, from $1225 to $1200. The per-person trip cost, where users reported it, averaged $1169, with a median of $1000.

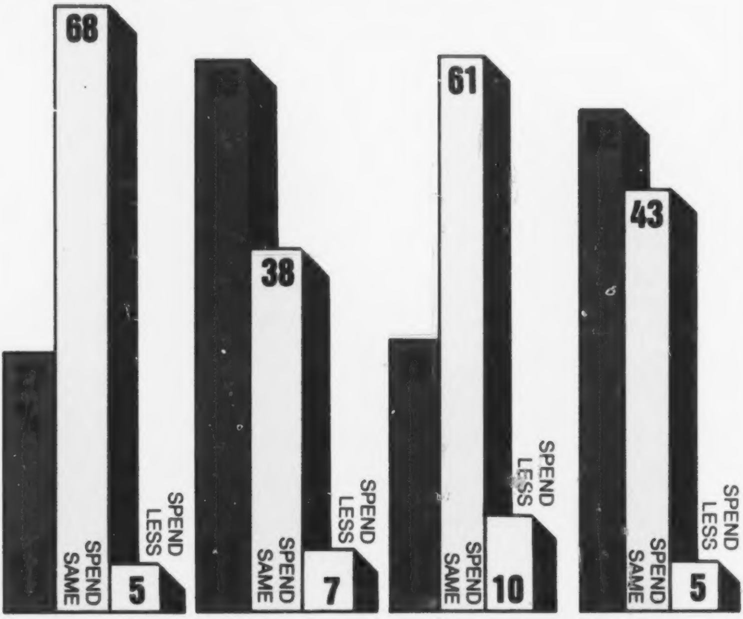
Dealer incentive users last year clearly indicated their belief in an economic recovery—early enough to get some strong programs on the books during that year and record the estimated 7.4-percent expansion after a couple of weak years.

Now, early in 1984, they appear to be following through on that recovery trend—while also recognizing that a slowing of the growth rate may demand hard work and strong promotion to keep *their* share of the recovery market intact.

At both wholesale and retail levels, it seems certain 1984 will see a major effort to set some records in motivational intensity. ■

LOOKING AHEAD . . .

"NEXT YEAR, WHAT ARE YOUR INCENTIVE PLANS?"



Types of Awards

What to offer and where to get it are clearly essential details of any incentive program. There are many answers.

Each marketer's objectives, audience, company size, facilities, and preferences produce the decisions. Here is how users in this survey make some of those decisions:

What types of awards do you most often use as dealer incentives? Percent of total respondents indicating each:

53%	Single premium or group of related items
28%	Merchandise catalog from incentive firm
21%	Own merchandise catalog or selection
32%	Group travel award
22%	Individual travel awards

Type of merchandise considered most effective:

39%	Personal items
42%	Home or family items
19%	Business-use items

How merchandise premiums are delivered:

66%	Shipped separately
26%	Delivered by sales force
8%	Packed with product

Type of supplier generally used:
For merchandise awards

33%	Direct from manufacturer
30%	Wholesaler or premium jobber
20%	Manufacturers' rep
17%	Full-service incentive firm

For travel awards

34%	Make own arrangements
26%	Travel wholesaler
23%	Full-service incentive firm
17%	Travel carrier, hotel, etc.

NOTE

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Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

MAY 1984

The New York Show: A World of Ideas

Special Section

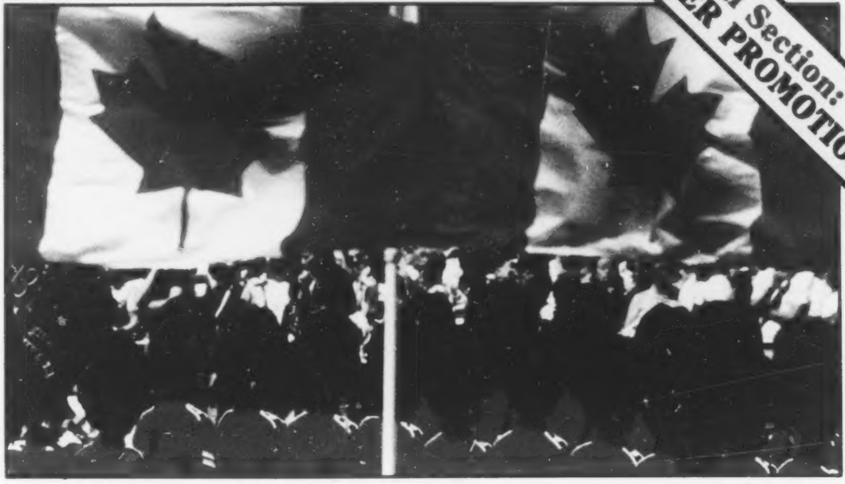
Canada Incentive Report

A BILL PUBLICATION

INCENTIVE M ETING

Special Section: CONSUMER PROMOTION

May 1984



The changing of the guard in Ottawa is just one of many attractions for incentive travelers in Canada. See page 60 for more details.

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Vol. 158
Number 5
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Cover shot courtesy of Photofile International Ltd.

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60 *SPECIAL REPORT: CANADA—* This country offers many attractive incentive destinations—including Montreal, Quebec City, Toronto and Vancouver.

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Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Industrial Chemical News, Institutional Distribution, Jobber Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant & Hotel Design, Sales & Marketing Management, Successful Meetings, Foodservice Research Center, Market Statistics, Sales Builders, SM Data Bank.

Recovery spurs solid gains in consumer premium usage

Last year's cautious turnaround has emboldened consumer incentive users to the extent that **Incentive Marketing's** latest user survey indicates a potential growth of 12 to 15 percent for 1984 in this sector of the incentive field.

The assessment of heightened activity is based on reports of 179 companies that estimated their consumer premium expenditures for both years.

Last year did bring greater promotional efforts than had been seen for a while—most of the activity occurred during the last half of the year when marketers began to believe in a recovery. Consumer promotion by manufacturers and wholesalers reached a new high estimated at $3 billion, up 7.3 percent from the previous year, while inflation cooled to around half that level. Retail incentive usage added another $2.1 billion, less than a 4-percent increase over 1982.

Both areas are stronger so far this year—and the climate suggests the retail segment of the field will do its share rather than drag its feet as happened last year.

Early estimates for this year show special emphasis on direct premium programs, reflecting confidence in rising sales curves—since this type of incentive is intimately tied to consumer purchases, unit for unit. Marketers are clearly confident that the incentive stimulus will bring the extra volume they are after.

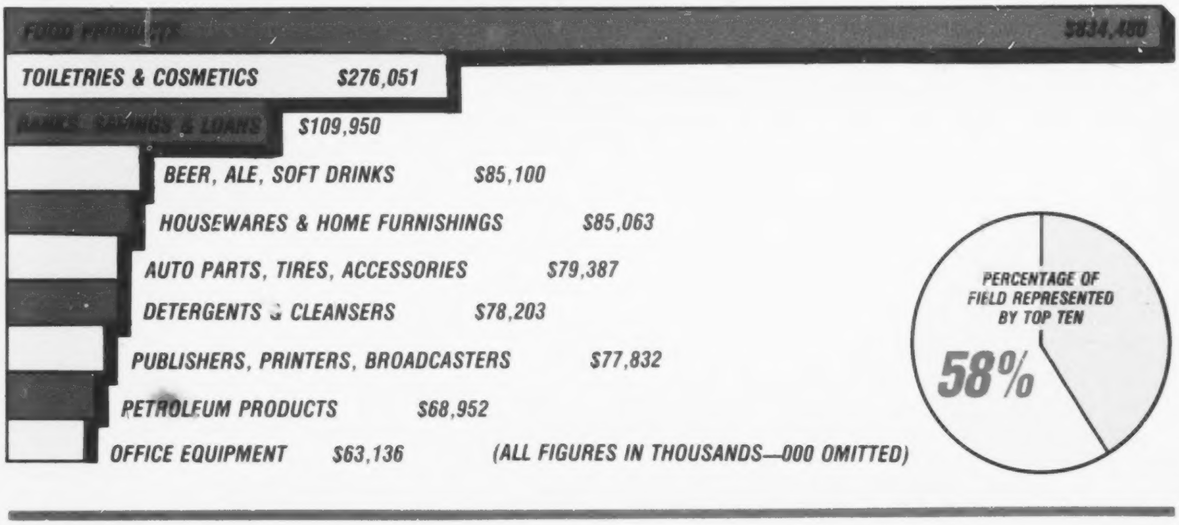
These executives' plans for this year include, on the average, one more promotional campaign than a similar group indicated in our 1983 survey. Among users of mail-in promotions—self-liquidators, free mail-ins and sweepstakes—the average reported was 4.6 programs. For other premiums—direct offers, factory-packs and coupon plans—the estimates averaged 5.6. In both categories, however, the median response was 4. A year ago, the median number of promotional campaigns reported was 3.

On an industry basis, the 10 largest users of consumer premiums last year did not change greatly. Food products remain by far the largest category, accounting for about 28 percent of all dollars spent for consumer premium promotion. Their activity last year was up an estimated 7.7 percent over 1982—just a bit ahead of the entire field. Early indications for 1984 show that food firms will continue to run somewhat faster than the overall incentive field, at least in the consumer promotion areas.

The No. 2 industry in consumer promotion, toiletries and cosmetics, spent more than $276 million last year—up 9 percent from 1982—and that industry also is showing strong incentive efforts so far in 1984.

Financial institutions cut back drastically on consumer premium promotions in 1982, and stayed at a low level last year—but their volume still

TOP TEN CONSUMER PREMIUM USERS (1983)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

keeps banks and savings and loan associations in third place in the user rankings.

After a 29.1-percent decline in all bank promotion—and 35 percent in consumer direct premiums—in 1982, consumer promotion activity in this area dropped another 9 percent last year. But things are looking up for effective incentive promotion of deposits and other financial business. Deregulation gave the bankers a free rein to promote interest rates rather than creative incentives. Meanwhile, they were also in a position of oversupply of deposit funds, making promotion less necessary for some time.

The interest numbers have become a blur, however, and the financial promoters need something else. And they are getting it—with new premium programs, from in-lieu-of-interest offers to elaborate catalogs of self-liquidators. The 1984 numbers for financial premium activity will show a considerable upswing.

Beyond the top three, the only other change in the list of leading user industries is a minor shift in the fourth and fifth positions, with beer, ale and soft drinks nosing out housewares and home furnishings. And all of the other leading consumer premium users appear to be closely following the pattern of growth seen in 1983 estimates. (See chart of top ten, page 41.)

In the retail arena—not treated as one of the top ten, although it is actually the largest area of consumer promotion—a clear upward trend is forecast. Sluggish promotion activity at retail—particularly in the supermarket—may be about to end.

Supermarket promotion in the first half of the 1970s was characterized by a simple formula: the downward movement of trading stamps and the ascendancy of "discount." After forcing some operators into bankruptcy and others close to it, the discount craze was caught up in a recession, rampant inflation, then another recession. Trading stamp volume, which had plummeted from more than $800 million a year to a third of that, was replaced by the continuity promotion, a device that returned some profit to the retailer.

Continuity promotions have continued to grow. **IM** does not report them separately, but rough estimates suggest they at least made up for the loss in expenditures for trading stamps over the past few years. Tape redemption plans, games, sweepstakes and other promotions have picked up a minor share of food retailers' promotional dollars.

The extreme price-consciousness first created by the supermarket chains in the early 1970s, and then forced upon them by recession and inflation, may now be abating. Rapid price escalation in food products ended during 1983, and so did the recession. If price need not be the entire story for food marketers at retail, premium promotion will return: it is already beginning to do so.

The total tab for retail promotion—a bit over $2 billion—represents a minor share of that industry's marketing costs. It has grown much less than the rest of the incentive field. Observers in the supermarket industry, however,

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are now predicting an upward trend at a rate well above the 10-percent mark.

Our last survey of this type was weighted toward food manufacturers, and some of the advertising media choices reflect that bias. Then, 43 percent chose point-of-purchase displays as the first medium. In the present survey, more broadly representative in industry terms, only 23 percent use displays regularly. The top choice is direct mail, listed by 59 percent. Newspapers rank second, reported by 29 percent. Other media include: tv and radio, 18 percent; consumer magazines, 15 percent; trade publications, 12 percent; bouncebacks, 8 percent; Sunday supplements, 6 percent; and on-package advertising, only 2 percent.

Among those who count on point-of-purchase displays, an average of 57 percent of dealers are said to use the materials. And these users believe that display usage is increased, on the average, by 38 percent over what they could expect in a non-promotional period. This contrasts with a 29-percent increase in displays reported by the food-slanted executives last time.

Knowing in advance whether the premium will sell is quite another matter—and users differ on the question of whether one can know. A majority of 60 percent thinks so, and tries to find the answers by conducting advance tests. In the last survey, only 38 percent said they usually test mail promotions. For promotions other than mail-ins, fewer—56 percent—now believe in testing.

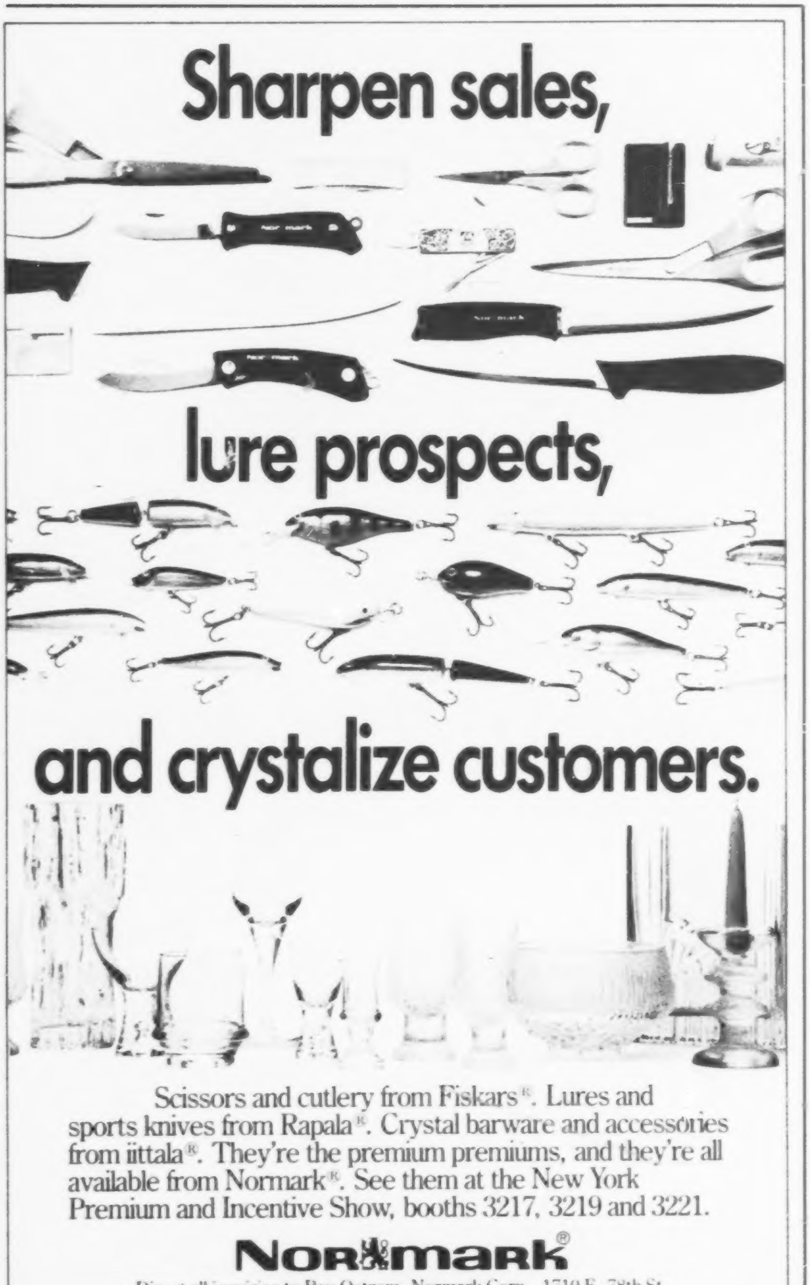
A consumer item preference test is the usual approach, and there are several ways to do it. Top choice in most of our studies is personal interviews, and 33 percent of the users chose that road this time, while a mailed questionnaire approach was preferred by 19 percent.

The primary objective of a test is to estimate consumer response, as measured by the actual number of premiums used. We asked users how accurate their tests are in predicting this response, and their answers averaged plus or minus 28 percent. The last time we asked this question, in a 1982 survey, the result was plus or minus 20 percent. Thus it appears that, rather than improving, test accuracy has eroded somewhat. Still, a majority of the users, 57 percent, tell us they are satisfied with the results—against 66 percent last time.

The mail-in self-liquidator is the major concern of many of these marketers. It appears that users have held the line in liquidating prices in the past year, despite frequent examples of high consumer prices. The average price quoted remains a bit over $9, with the median at $6, just about where it was in the previous survey.

Although the prices of self-liquidators have remained stable, the perception of a ceiling has not. In our 1982 survey, users indicated they felt that response would decline significantly above an average charge of $11.35 to the consumer. This year's average on the same issue was $17.85.

Free mail-in offers have other unique considerations. One is how the cost of the premium relates to the amount of product pur-



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CONSUMER PREMIUMS: WHAT THEY CAN DO

(% OF USERS IN 1983 SURVEY WHO CONSIDER EACH TECHNIQUE "MOST EFFECTIVE" FOR REACHING SPECIFIED GOAL)

	GET SHELF ATTENTION	SELL-IN TO DEALERS	BOOST REPEAT SALES	BE A SALES TALKING POINT	BUILD USER GOODWILL	GAIN AD READERSHIP	OBTAIN STORE DISPLAYS	SAMPLE NEW USERS	COST/EFFECTIVENESS
SELF-LIQUIDATOR	16%	12%	21%	11%	20%	12%	17%	18%	43%
FREE MAIL-IN	18	10	22	12	23	21	9	42	11
SWEEPSTAKES	13	17	8	13	11	37	12	11	13
COUPON PLAN	10	12	26	15	18	10	6	6	10
DIRECT PREMIUM	13	31	10	28	19	16	24	15	12
FACTORY-PACK	30	18	13	21	9	4	32	8	11

chase required to qualify to obtain the premium. In the present survey, this comes to an average of 20.5 percent, much higher than in previous studies (it was only 9 percent two years ago). This appears to tie in with the constantly reduced numbers of proofs of purchase required to obtain premiums.

When the free-in-the-mail type of offer began to achieve popularity several years ago, it was common for users to ask for large numbers of proofs of purchase. Fifteen or 20 was fairly usual, and much larger numbers were found in some promotions. By 1982, however, our survey found that the average requirement was only 3.8 proofs of purchase per premium; and the latest finding is only 2.7, with a median of 2.

The free-mail-in has not grown much in the past few years, and one reason has appeared to be the uncertainty of its cost. Another, in terms of very recent promotion practice, seems to be a high number of mail refund offers that substitute for premium offers. These free offers are the only consumer premium type that appear to be showing very little growth in 1984 expenditures.

Another free premium that seems to be thriving, however, is the factory-pack. This has distinct advantages in gaining store shelf attention—and distinct disadvantages in requiring extra handling in the store. But it continues to find a limited degree of support, and is growing in usage this year. The average cost budgeted for a factory-pack premium by this year's survey respondents is 10.9 percent or the retail purchase required—compared with the 10 percent reported in the last survey.

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Circle No. 170 on Buyer Action Card

The factory-pack wins top honors among users for two of the major consumer premium objectives. It is considered by 30 percent of users as the best performer for shelf attention—and 32 percent say it is tops in getting store displays.

The factory-pack's unattached cousin, the direct premium, also scores as the most effective in two areas—as a sales talking point (28 percent) and as an aid to sell-in to dealers (31 percent).

Free mail-in offers, despite their relative loss of favor among many users, still are the acknowledged leaders for building user goodwill (23 percent) and sampling new users (42 percent).

Other leaders in achieving objectives are detailed in the table on page 46.

Both the self-liquidator and its free mail-in counterpart present a physical handling problem—getting the premium to the consumer. To process incoming mail and ship out premiums, users have four principal options. Here is how they rate them in this survey:

- **67 percent process and fulfill in-house**
- **14 percent process mail, and send labels to a fulfillment house or supplier**
- **11 percent have a professional fulfillment house handle all**
- **8 percent have a supplier handle mail and drop-ship**

Another kind of relationship with outside suppliers applies to all premium types—the source from which to buy. Getting premiums direct from the manufacturer is the preference of 43 percent, while 32 percent go through a premium rep. Jobbers or wholesalers supply 14 percent, about 8 percent buy from advertising specialty distributors and 3 percent like to have an advertising or sales promotion agency take care of all the details.

Handling details—whether mechanics planning, advertising or evaluation—is a major element in a premium program for any marketer. At the top of this list of problems cited by respondents were "finding the time to do it," "getting supplier cooperation," and "personnel support."

Still, companies find the time. And their reports tell us it is paying off in 1984—a little better than it has for a while. The economy is on their side now—and they know how to make it work for them. ■

June 1984 Not Filmed

NOTE

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Incentive Marketing

INCORPORATING **INCENTIVE TRAVEL**

JULY 1984

How companies capture...

The Lure of Travel

- 1st World Congress Expo
- FACTS Travel Survey
- Creative Itineraries

Inside: A Look at Luggage

A BILL PUBLICATION

INCENTIVE MARKETING

Special Section:
WORLD TRAVEL REPORT

July 1984

The roulette wheels are spinning rapidly in Atlantic City and Las Vegas. See page 93 for details.

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80th Year
Vol. 158
Number 7
ISSN-0019-3364

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Combine resort facilities, top-name entertainment and the thrill of playing games of chance and you've got a sure bet for a popular incentive travel destination.

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IM reviews the distinctions between taxable and nontaxable business travel.

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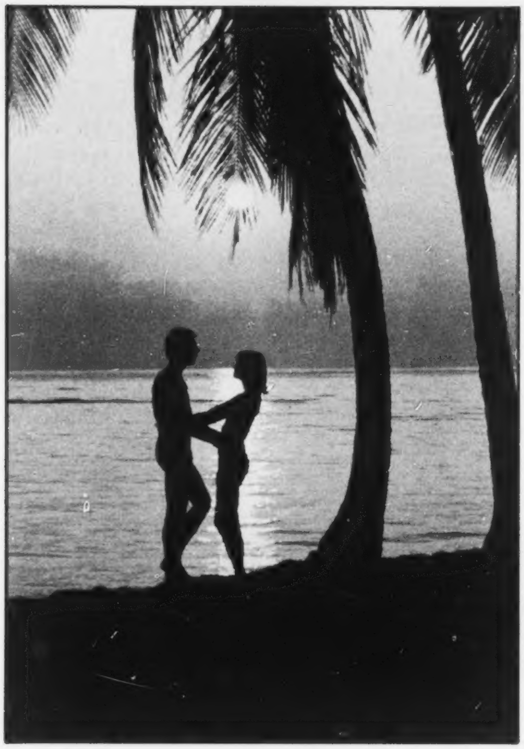


The Lure of Travel

Awareness of the effectiveness of incentive travel continues to spread. This year's **IM** incentive user survey shows that more companies than ever before are taking their sales forces, dealers and distributors east, west, north and south. Incentive travel expenditures have gone in only one direction—up—reaching a new high of $1.2 billion in 1983, according to current estimates. There's a good reason for this consistent growth pattern: incentive travel builds profits. That's why it's the fastest-growing segment of the incentive market.

IM's latest survey of 133 executives who use incentive travel shows that:

- Expenditures for incentive travel are up about 10 percent over 1983 levels—with more of an increase on the sales force side than for dealers and distributors.
- Percentage of eligibles qualifying for trips is up. As a result:
- Gains in sales during the campaigns have improved measurably late last year and this year, compared with the previous period.
- Costs of travel programs have increased sharply in the past year, but . . .
- Costs as a percentage of incremental sales have remained remarkably constant for at least three years.
- The swing, begun last year, toward greater use of domestic destinations, is continuing.

In 1983, incentive travel spending reached a new estimated high of $1,211,868,000. But expansion has slowed, even though travel outstrips other incentive types in growth. In 1982, with considerable inflation, travel advanced by 5.6 percent over the year before. Last year, in an improving economy with inflation down, the record was better—but up by only 7.6 percent.

In **IM's** travel survey report last year, it was noted that average sales gains reported by users had been declining for a few years. They were coming closer to parity with gains made by merchandise incentives, as compared with the consistent superiority travel had shown for a few years, with user volume expansion averaging around 20 percent.

Travel performance hit bottom in 1982, when 20 percent of readers **IM** surveyed said they had achieved no sales increases at all with their incentive travel programs—in many cases they were just "happy to stay even." Of those who did report growth that year, the average advance was only about 12 percent.

Had incentive travel lost its glitter? Probably not. It seems more likely that respondents simply reacted to economic troubles by cutting back more sharply on travel than on other trade incentive programs. Since many travel campaigns run a full year, it takes con-

Incentive travel spending reached a new high of $1.2 billion in 1983, about a 10-percent increase over 1982.

sistent volume growth to show a good end-result—whereas a short-term merchandise promotion can show a bump in the sales curve even in bad times.

Performance in incremental sales has not quite returned to the heady times of the 1970s, but readers in the current survey reported a respectable average gain of 17.7 percent, the best in several years. This was for their "latest" travel campaign—which in most cases means late 1983 or early this year. For the previous program, the same executives reported a 14-percent average result.

For this survey, which was conducted in May 1984, 133 executives reported their travel dollar expenditures for 1983 and estimates for 1984. In all, 98 firms listed their budgets for sales force programs and 60 for dealer campaigns.

Their estimates indicate that they will increase their outlays for sales incentive programs by 14.5 percent over their spending last year. On the dealer/distributor side, they said they will spend about 5.6 percent more. Overall, their budgets for incentive travel show an increase of 10.2 percent above their 1983 usage.

These respondents plan to spend a total of $18,225,000 for sales incentive travel this year—an average of $185,969 per company—and $15,621,000 for dealer promotions, or an average of $260,350 per firm.

These executives lean more toward sales force motivation programs, although the gap between dealer and sales campaigns has been narrowing steadily. In the 1983 usage estimates, more than 49 percent of travel expenditures went for salespeople, while 10 years earlier it had been only 41 percent.

When the big growth in travel came in the 1950s and 1960s, large dealer movements predominated, and this became the major focus of travel expenditures.

But it hadn't always been so. One of the first major incentive travel programs was strictly for salesmen. The National Cash Register Company (NCR) had been holding a sales convention since 1886, but in 1906 management converted it into an incentive event and, in 1922, the group took its first trip away from Dayton, Ohio—by train—for a New York holiday.

Since the tide began to turn in the 1970s, there has been a steady growth in sales force participation in travel incentives. And, if overall estimates for 1984 follow the trend indicated by users in this survey, sales incentive travel could move up to about a 51-percent market share.

Although a shift toward sales incentive promotions is seen in the estimates derived from this survey, actually a somewhat smaller percentage of these users aim programs at company sales forces than a year ago—66 percent—compared with 76 percent for a similar group in 1983. Other sales types are targeted too: dealer salespeople by 18 percent, and distributor sales personnel and independent reps by 17 percent each.

In addition to this, 36 percent promote to retailers, and 25 percent to distributors or wholesalers. Another 11 percent aim their campaigns at direct sales forces, and 8 percent use travel to motivate non-sales personnel.

Another trend, apparently begun last year and continuing into 1984, is a move toward heavier use of domestic destinations. In 1979, foreign travel hit a high point of 57 percent of estimated expenditures, but then it dropped to 42 percent the next year, as many users fought to hold down the inflationary boom in costs by playing closer to home.

Foreign sites edged up in 1981 and 1982, to 45 percent of all budget estimates. But last year the estimate stood at 42 percent, and users in the current survey report 40 percent of their travel budgets spent abroad, with 60 percent for domestic destinations. Cost instability again looms as part of the reason. For example, an electrical manufacturer who consistently has used foreign sites now finds a major problem in "trying to get firm

TOP TEN INCENTIVE TRAVEL USERS: 1983

INSURANCE	$161,156,000	+ 8.5%
ELECTRONICS, RADIO & TV	$118,154,000	+ 6.1%
AUTO PARTS, TIRES & ACCESSORIES	$109,752,000	+10.0%
AUTOMOBILES & TRUCKS	$ 99,414,000	+ 7.8%
FARM EQUIPMENT	$ 76,895,000	+ 2.1%
HEATING & AIR CONDITIONING	$ 70,595,000	+ 5.0%
OFFICE EQUIPMENT	$ 54,535,000	+10.3%
ELECTRIC APPLIANCES	$ 44,943,000	+ 4.8%
BUILDING MATERIALS	$ 37,646,000	+ 9.6%
TOILETRIES & COSMETICS	$ 34,605,000	+10.4%

costs, since the trip takes place approximately two years after it's planned and budgeted." Forecasting costs at home is no picnic either, but many users feel it's safer than trying to cope with foreign costs.

The 133 executives surveyed expect to increase their outlays for sales incentive programs by 14.5 percent over last year. On the dealer/distributor side, they said they will spend about 5.6 percent more this year than in 1983.

But there are other forces at work. Call it "patriotism" or "chauvinism," the "Buy American" concept seems to have permeated the thinking of many users. Tom Moore of Mallinckrodt Inc., a St. Louis-based subsidiary of Avon Products, has started an incentive travel program for distributors, much more ambitious than his previous promotions. He says, "it will be 100-percent domestic, as we feel a strong pull to keep American dollars circulating for the good of the U.S.A.!" Yet he won't sacrifice either distance or allure in his initial effort—a trip to Maui for 50 people.

In addition to the dollar shift, there's been a slight change in the choice of destinations. Of 311 different sites mentioned, 53 percent are domestic locations (including Hawaii, Puerto Rico and the Virgin Islands), a 1-percent rise over last year's domestic site preference.

Florida bumped Hawaii out of first place as the United States leader, and edged out Mexico by one mention for overall favorite destination. Four destinations, three of them domestic, dominate the list with 42 percent of all mentions: Florida, Mexico, Hawaii and California, in that order.

Group trips remain the greatest segment of the incentive travel field; 72 percent of survey respondents say they run groups—down a bit from 79 percent in 1982. The remaining 28 percent offer individual travel awards, permitting winners to journey alone or in small groups, usually (but not always) at their choice of time.

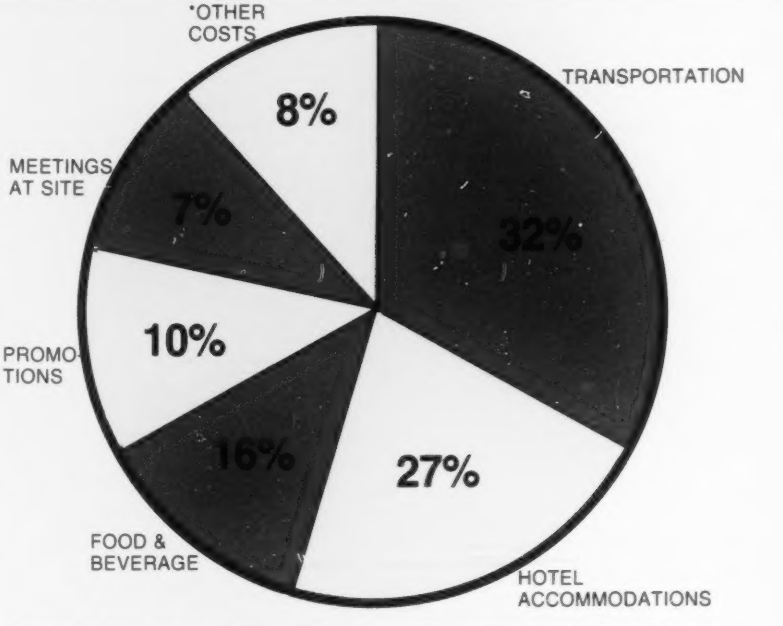
A year ago the survey indicated that group size had decreased compared to previous years—an average of 113 people, but a median of just 50. This undoubtedly was a key factor in the relatively small dollar growth of the travel field in 1983 and, in turn, reflected weaker performance and smaller qualification than usual.

This year average group size has climbed only to about 124, still below earlier averages. But median size has jumped to 70, closer to past experience.

By an overwhelming margin, groups are comprised of couples. This year's survey shows 90 percent of programs including spouses. The other 10 percent tend to include some heavily business-oriented trips and other special situations—such as a direct selling organization with a predominantly female sales force. One such company notes that spouses may go along on a buy-in basis.

Buy-ins are not particularly popular, however, and only 32 percent of these executives permit them—5 points below the finding in last year's survey. Most believe that buy-ins defeat the motivational objective of the campaign. They think that if a salesperson can earn

WHERE THE TRAVEL BUDGET GOES



*INCLUDES GROUND TRANSPORTATION, SIDE TRIPS, TOURS, INSURANCE, ENTERTAINMENT, ETC.

a portion of the trip without reaching assigned quota, the stimulus to forge further is lessened. Where buy-ins are allowed, the proportion of travelers using them is down—only 15 percent this year, compared with an average of 31 percent last year.

The higher incidence of buy-ins last year can be attributed to the generally poor economy. If fewer qualified, more might be expected to buy in if they could.

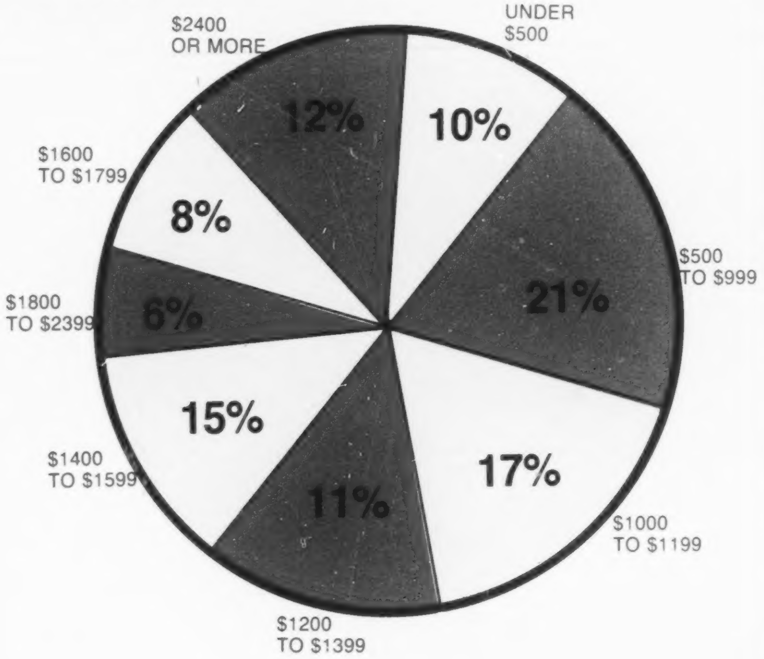
And qualification did hit a low point in the 1982-83 period, according to last year's survey. An average of 24 percent of eligible salespeople and dealers earned trips. The figure bounced back in this survey, to 31 percent.

Such a difference in one year's time must create a problem in terms of budget planning, trip arrangements and reservations. For the 29 percent of these executives who established a predetermined number of winners for a campaign, the solution was easy. But for the large majority of 71 percent who believe in an open-ended program in which all who qualify can pack their bags, dealing with wide swings in numbers can be a headache.

Not surprisingly, trip costs have risen. Whereas in 1982 costs averaged $2,000 per couple, last year's jaunts cost $2,400 per couple and $1,200 per person.

COST OF INCENTIVE TRIP

PER PERSON—1984



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MEDIAN $1200

PER-COUPLE COST APPROXIMATELY DOUBLE (90% INCLUDE SPOUSES)

"Anticipating the number of winners on an open-ended program" is the No. 1 concern of R. W. Meissner of John Miller Supply Company in Wisconsin, a maker and distributor of farm equipment. While he estimates an average participation of 20 percent by both salespeople and dealers, his trips can average anywhere from "50 to 70 people," he points out. That's a wide spread. All trips are six-night foreign movements following 30-week qualification periods, so adjustments aren't easy.

Other problems pop up, like that of a paint wholesaler running foreign trips for 80 or 90 people, who complains of "last-minute cancellation by customers who can't find a babysitter!"

The biggest single change in incentive travel during the past year has been the increase in trip cost. Last year the **IM** survey found a one-third escalation in the median cost, to $2,000 per couple, from $1,500 a year earlier. Among executives in this survey, the experience has been a little less formidable—but still a 20-percent increase—to a current level of $1,200 per person and $2,400 for a couple.

Reports ranged from $200 a couple to $10,000. Not too many years ago, many users sought to keep their total per-couple cost under $1,000; this year only about 10 percent of the companies could do that, and only 30 percent stayed under $2,000.

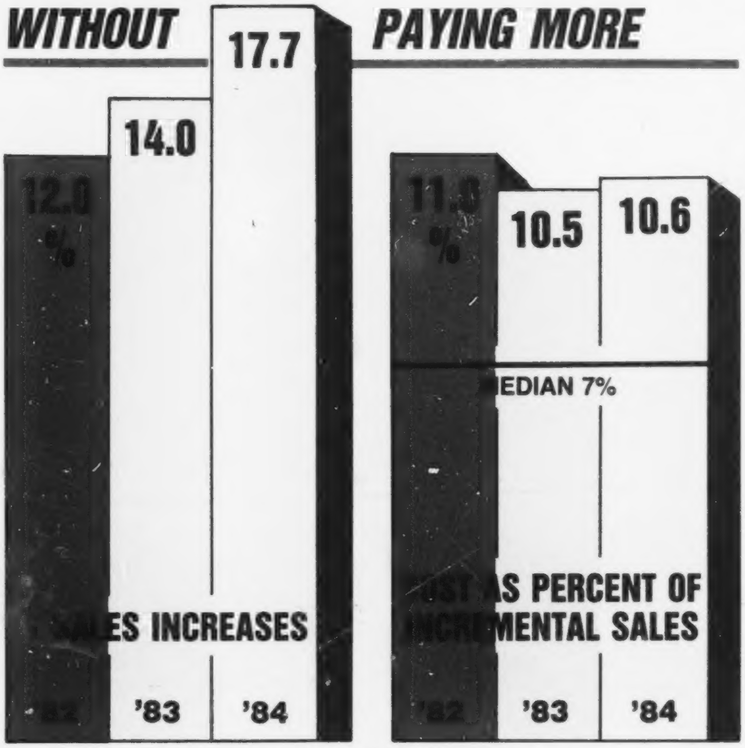
Despite the increase in trip costs, however, users have kept their *true cost*—the percentage of incremental sales during the program—remarkably level for three years. This survey group reported an average of 10.5 percent of the added sales spent for the incentive campaign, compared with a 10.6-percent average last year and about 11 percent a year earlier. For all three survey periods, the median was 7 percent.

This has been done, apparently, by adjusting qualification levels in most cases—by asking more sales results per trip. In a possibly related move, more executives than ever before—45 percent—indicated they include merchandise awards in their travel promotions. If relatively fewer achieve the trip qualification, the motivation of others is not lost if they can earn significant tangible awards by a moderate improvement in performance.

Incentive trips, gradually, have been getting a little longer. In 1980, the average dropped below four nights, as many users cut costs. In 1983, it moved back to 5.2-nights average duration, and this year stands at 5.5.

Although groups travel a little longer, they are working a bit less on the trips. A year ago 73 percent of the users said they conducted some business meetings at the destination—an average of 9 hours. The incidence of meetings has dropped to 68 percent, and the average time spent on business has slipped to 8.2 hours.

GETTING MORE—WITHOUT PAYING MORE



ALL FIGURES REPRESENT AVERAGES IN **IM** SURVEYS

The bottom line is: What portion of the sales gain was given back for the cost of achieving the extra performance? This year's survey shows an average of 11 percent of the incremental sales invested in the incentive campaign.

Business meetings take many forms, depending on the company and the audience. For dealer and distributor groups, new product introductions and similar information sessions are common. For sales force programs, sales training sessions or "pep rallies" are common.

The insurance industry, the largest single user of travel incentives—$161,156,000 in 1983—has been traditionally heavy on meeting content for its trips. But there are variations and contrasts even in that industry. Western Farm Bureau Life Insurance Company takes 200 people on seven-night trips to such places as London, Hawaii and Cancun, with hardly a moment of business meetings. The trip is based on a full year's selling, and only about 10 percent of salespeople qualify.

At the other extreme is Physicians Mutual Insurance Company, which conducts trips for about 100 (both company salespeople and independent agents) with 20 to 25 percent of eligibles making the grade. When they get to places like Maui, Acapulco or the home office in Omaha, their four-night stay is a real workout—six to eight hours *per day* of business sessions.

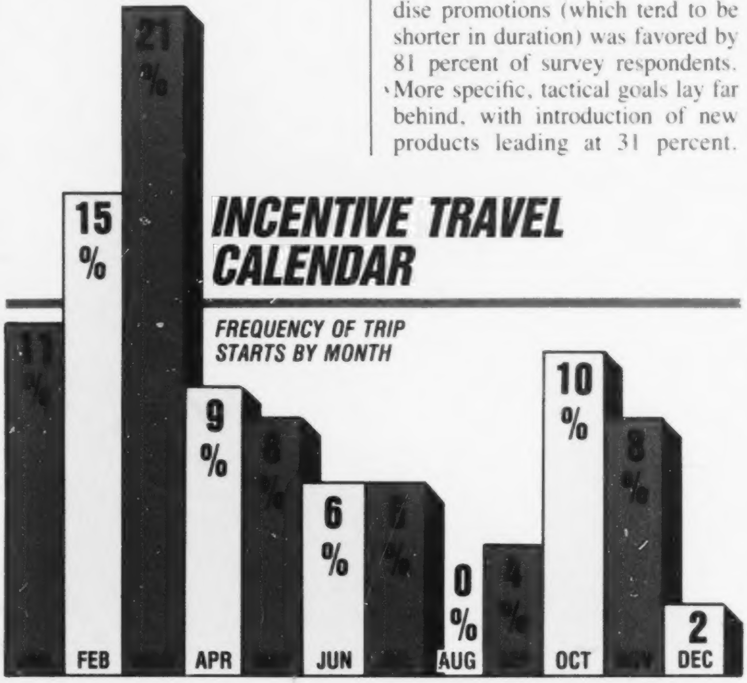
In general, the selling qualifica-

There has been a move toward using domestic destinations more. While in 1979 foreign travel hit a high of 57 percent of estimated expenditures, the figure stood at 45 percent in 1983.

tion period averages the same as in the past two years' reports—28 weeks. But a somewhat larger percentage use a full year or longer to tally the credits—41 percent of these users. A year ago, only 28 percent ran that long.

Planning for the program, however, starts much earlier—an average of 42 weeks before the trip date. And between the start of planning and the first day of the sales period, an average of 20 weeks elapses.

While a large number of users are selling for a full year to qualify, there appears to be a counter-trend among some others to shorten programs. L.H. Phillips of Dover Foods Company, an Ohio wholesaler, already pushes his promotions only 16 weeks, well below the average. But, he says, "my greatest problem is to be able to select a program that will motivate participation by all eligible persons over the whole period of time we want. We are seriously considering shorter and more varied programs in place of the 'Grand Prize' type we have run in the past."



INCENTIVE TRAVEL CALENDAR

FREQUENCY OF TRIP STARTS BY MONTH

The longer a promotion, the more likely that it won't have narrowly defined objectives, but will aim at an overall sales increase. And that objective, always stronger with travel users than with those who run merchandise promotions (which tend to be shorter in duration) was favored by 81 percent of survey respondents. More specific, tactical goals lay far behind, with introduction of new products leading at 31 percent. Offsetting competition was mentioned by 20 percent; moving a full line or special items, by 19 percent. (Figures add up to more than 100 percent, because many respondents have multiple objectives.)

Setting quotas to match the objective and tie in to the campaign budget is a complex matter, and users of incentive travel have many approaches to it. But most—58 percent, or 5 points more than a year ago—base quotas on their sales forecasts, and derive the promotion budget from it. Handled properly, this provides the greatest flexibility for an open-end program—if sales go above or below forecast, budget requirements can be adjusted more easily.

A minority of 33 percent, however, work the other way around—start with a budget requirement and establish quotas to fit it. This, of course, can be most effective when coupled with a predetermined number of winners (set by 29 percent) rather than an open-end plan that provides for all who qualify to win (favored by 71 percent).

Relating specific cost items to overall budget appears to be a problem for many users; only 58 percent were able to answer the survey question on this breakdown—on par with previous results. In some cases, users indicate they buy a package in which the supplier handles all details, and they simply don't know. In others, however, it seems that they have not detailed their budgets finely enough to know.

Among those who did supply budget breakdowns, the two major items (transportation and hotel accommodations) command exactly what they have, on the average, for the past two years—32 and 27 percent of budget, respectively. In other items, there were only minor fluctuations (See chart on page 53).

After everybody comes home—what happens? Evaluating results remains the most important step in using incentive travel. Sound mea-

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GF Call or Write for Free Catalog

Group size averages about 124 people, with a median of 70. By an overwhelming margin, incentive travel groups are comprised of couples.

surement of the program's outcome is essential, very simply, to find out whether you got your money's worth, and to plan the next program.

The bottom line is: What portion of a sales gain did you give back for the cost of achieving the extra performance? As mentioned above, this year's reports show a stable result over a three-year period. An average of 10.5 to 11 percent and a median of 7 percent of incremental sales were invested in the typical incentive campaign. But a disquieting fact is that only 49 percent of respondents were able to answer the question. Some commented: "we do not calculate this;" "not specifically related;" "don't know" or, simply "?".

All do, of course, total up their sales, and they have a good idea of increases. But they measure results by different sales-related criteria. And many use more than one of five yardsticks included in the questionnaire, or an average of slightly more than 1.5 criteria each.

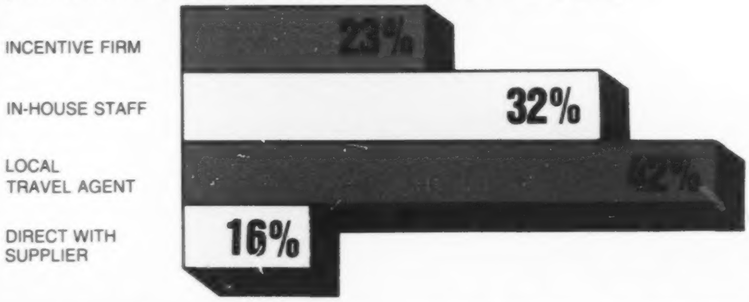
The favorite measurement is total units or dollars sold, used by 59 percent. The next evaluation is percent reaching goal or quota, chosen by 38 percent. Other criteria are profit on incremental sales (20 percent), increased market share (19 percent) and branch or district performance (12 percent). And 5 percent said they apply "other" standards, including "evaluate performance"—presumably a more subjective individual evaluation than the numbers supply.

However these executives evaluate their travel programs—scientifically or by seat-of-pants—they clearly value incentive travel as a major part of their marketing plans. The fact that 68 percent of them increased their spending for this kind of motivation this year—a record not equaled in many years—demonstrates their faith in it.

Even with continued rising costs of travel programs, users have achieved improved sales results at a final cost that has not risen in three years, underscoring the importance of the tool.

WHO MAKES TRIP ARRANGEMENTS?

(1984 SURVEY REPORT EXCEEDS 100% BECAUSE OF MULTIPLE RESPONSES)



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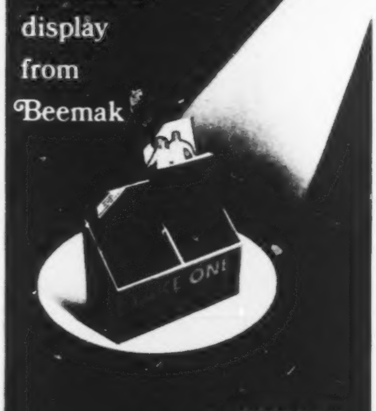

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Chateaugay, NY 12920

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(514) 288-7334.

Circle No. 129 on Buyer Action Card

WORLD TRAVEL SURVEY

Favorite Destinations

(311 destination choices indicated by respondents; 165 U.S., 146 foreign)

United States

38 FLORIDA
- 3 Callaway Gardens
- 3 Orlando
- 2 Fort Lauderdale
- 2 Key West
- 2 Marco Island
- 2 Miami
- 1 Epcot Center
- 1 Tampa

32 HAWAII
- 3 Honolulu
- 3 Maui

23 CALIFORNIA
- 6 San Francisco
- 4 Los Angeles
- 3 Palm Springs
- 3 San Diego
- 1 Carmel Valley

13 NEVADA
- 8 Las Vegas
- 2 Lake Tahoe
- 2 Reno

7 PUERTO RICO

6 ARIZONA
- 2 Scottsdale
- 1 Phoenix
- 1 Tucson

6 ILLINOIS
- 6 Chicago

5 NEW YORK
- 4 New York City

5 TEXAS
- 3 San Antonio
- 1 Houston

4 GEORGIA
- 2 Atlanta
- 1 Lake Arrowhead
- 1 Savannah

3 ALASKA

3 LOUISIANA
- 3 New Orleans

3 VIRGIN ISLANDS
- 1 St. Thomas

2 DISTRICT OF COLUMBIA

2 MINNESOTA
- 2 Minneapolis

2 MISSOURI
- 1 Kansas City
- 1 Lake Ozark

2 NEW JERSEY
- 2 Atlantic City

2 SOUTH CAROLINA
- 1 Charleston

1 COLORADO

1 KENTUCKY
- 1 Louisville

1 MASSACHUSETTS
- 1 Hyannis

1 NEBRASKA
- 1 Omaha

1 TENNESSEE
- 1 Nashville

1 VIRGINIA
- 1 Hot Springs

1 WISCONSIN
- 1 Lake Lawn

Foreign

37 MEXICO
- 10 Acapulco
- 6 Cancun
- 4 Puerto Vallarta
- 1 Mexico City

12 CARIBBEAN
- 3 Barbados
- 2 Aruba
- 1 Antigua
- 1 St. Kitts

11 CRUISES
- 5 Caribbean
- 3 Mexico

10 ENGLAND
- 8 London

8 BAHAMAS
- 2 Nassau

8 CANADA
- 2 Toronto
- 1 British Columbia

7 BERMUDA

6 ITALY
- 3 Rome
- 1 Lake Como

5 EUROPE

5 JAMAICA

5 SPAIN
- 1 Madrid

4 HONG KONG

4 SWITZERLAND
- 1 Geneva
- 1 Lucerne

3 FRANCE
- 2 Paris
- 1 Nice

3 GERMANY
- 1 Munich

3 JAPAN
- 1 Tokyo

2 GREECE
- 1 Athens

2 HOLLAND
- 1 Amsterdam

2 IRELAND

2 MONACO

2 TAHITI

1 AUSTRIA

1 COLOMBIA
- 1 Cartagena

1 DENMARK
- 1 Copenhagen

1 EGYPT

1 MARTINIQUE

1 PORTUGAL

1 SWEDEN
- 1 Stockholm

1 THAILAND
- 1 Bangkok

Incentive Marketing

INCORPORATING **INCENTIVE TRAVEL**

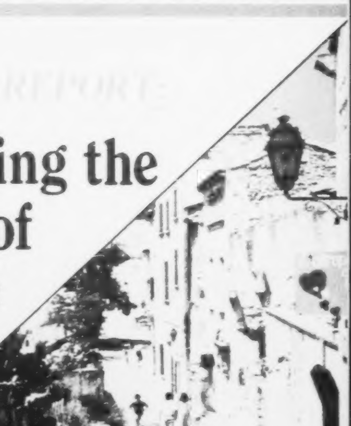
AUGUST 1984

C1200-4A

Business Gifts Wrap-Up

SPECIAL REPORT:

Exploring the South of France



A BILL PUBLIC

INCENTIVE M ETING

NP/IS PRE-SHOW REPORT

August 1984

Ancient villages perched among rugged hills are trademarks of the South of France. See page 78 for details.

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80th Year
Vol. 158
Number 8
ISSN-0019-3364

8 ***IN THE NEWS—***
U.S. companies increasingly are following the lead of overseas marketers of consumer incentive travel promotions . . . Congress votes down an amendment which would have restricted tax deductions on employee recognition awards . . . The European Travel Exchange will debut this fall . . . **IM** interviews Lever Brothers' Zish Molbegott.

18 ***NP/IS PRE-SHOW REPORT—***
IM presents a complete guide to association functions and related events surrounding the National Premium/Incentive Show's San Francisco debut.

21 ***BUSINESS GIFTS WRAP-UP—***
Latest survey results put 1983 business gift expenditures at just over $1 billion—up 8 percent from 1982. Unit volume exceeded 50 million. Projections suggest an 11-percent increase is in store for 1984.

30 ***WHY FIRMS GIVE GIFTS—***
Survey respondents explain their motives.

34 ***GIVING THOUGHT TO GIFT-GIVING—***
Business gift suppliers identify key considerations for buyers.

37 ***GALLERY OF GIFTS—***
Get an early start on filling your shopping needs at next month's National Premium/Incentive Show with a selection of items. Each of our choices is keyed to an **IM** Reader Action Card number to get you fast details, and NP/IS booth references also are provided where available.

78 ***EXPLORING THE SOUTH OF FRANCE—***
This month's destination report focuses on an exotic alternative to the more conventional Parisian incentive travel program.

Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Industrial Chemical News, Institutional Distribution, Jobber Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant & Hotel Design, Sales & Marketing Management, Successful Meetings, Foodservice Research Center, Market Statistics, Sales Builders, SM Data Bank.

Business Gifts Wrap-Up

Fifty million thank-yous can't be wrong! That will probably approximate the number of gifts distributed by American business executives this year.

Inherent in most of these gifts is the principle most present-day business people apply: It's the thought that counts. When ancient peoples offered gifts to the gods, there was much more at stake than trinkets or animal sacrifice. When an Eastern statesman gave President Reagan an elephant named Victory in this election year, it was surely more than a zoo animal.

The same holds for the pens and desk sets, clocks and diaries, fruit baskets and liquor, books, steaks and glassware American business executives are giving to business friends this year, as in many past years. The heart of the matter is thanks, expression of friendship, and good will.

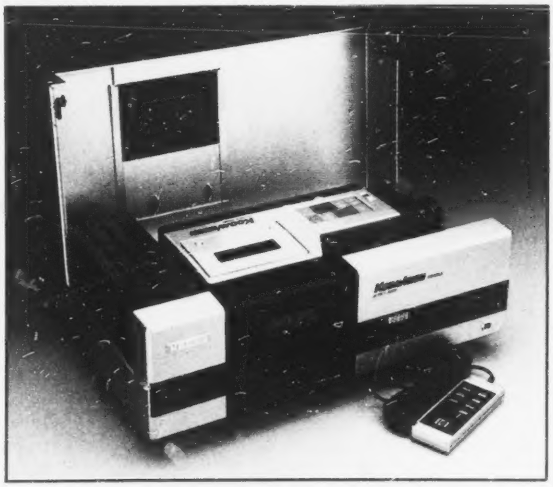
The cynics who would say otherwise—that it is a bad habit followed out of fear, bribery or a necessary evil—become fewer and fewer. In our 1983 survey report, **IM** noted a distinct drop in the number of negative attitudes expressed by surveyed executives; this year there are even fewer of them.

Last year's bill for business gifts was estimated at $1,034,000,000—passing the billion-dollar mark for the first time. That was an 8-percent expansion of gift budgets over 1982. In this year's limited survey, just completed, readers indicate they are increasing their gift purchases this year by about 11 percent.

Business gifts have had a somewhat rocky course in the past three decades. Everything from political scandals to recessions disturbed the equanimity of gift-givers. President Eisenhower once said, "A gift is not necessarily a bribe. One is evil, the other is a tangible expression of friendship." Still, through the 1960's and early 1970's expansion of gifts was minor. Busi-

BAUSCH & LOMB

Waterproof Sports Binoculars
Bausch & Lomb
(Exhibiting at NP/IS Booth 722)
For more information, circle No. 2 on Reader Action Card.



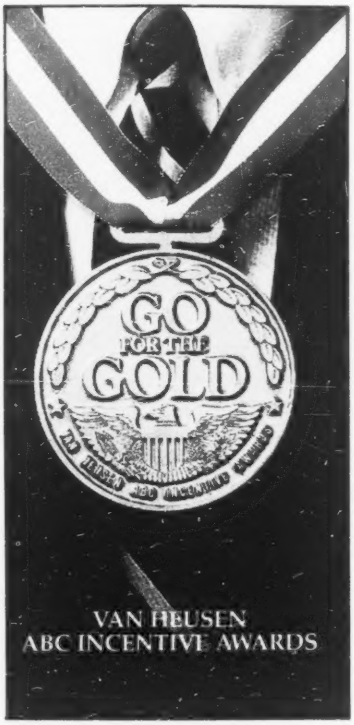
Kodavision Camcorder Cradle And Remote Control
Eastman Kodak Co.
(Exhibiting at NP/IS Booth 1308)
For more information, circle No. 121 on Reader Action Card.

ness gift-giving accelerated in the post-recession late 1970's, and the trend has been generally upward since then.

But, overall, business gift-giving has not kept pace with inflation. Estimated business gift volume approximately doubled from 1956 until 1978—while the Consumer Price Index rose about 144 percent. Since that time, however, gift spending has risen by about 82 percent through 1983—and the cost of living has advanced only about 48 percent.

Business expenditures for gifts rose by 16 percent, 14 percent and 18 percent, respectively, from 1979 through 1981. The next two years slowed to 9 percent and 8 percent, but—with an indication of something in the area of 11 percent growth this year—the growth momentum has not been lost.

Santa Claus is indeed the partner of most business givers. In this year's survey, 70 percent said they give business gifts at Christmas—a lower rate than in some recent years. No other occasion comes close. Thanksgiving is chosen by a mere 6 percent; New Year's by 5 percent; birthdays by 7 percent; and company anniversaries by 11 percent. Some 37 percent cited a wide range of other occasions including employee anniversaries, company outings, plant and office visits, annual meetings, safety awards, sales meetings, weddings and key sales calls.



Go For The Gold Awards Catalog
The Van Heusen Corp. Markets Co.
(Exhibiting at NP/IS Booth 801)

For more information, circle No. 159 on Reader Action Card.

SONY
MICROCASSETTE-CORDER M-10
AUTO SHUT OFF
SPEED
24cm
12cm
SONY

M-10 Microcassette Recorder
Sony Corp. of America
(Exhibiting at NP/IS Booth 701)

For more information, circle No. 152 on Reader Action Card.

Most gifts go to customers, but there is a strong minority interest for employees. About five out of six of these executives—84 percent—present gifts to customers; 24 percent give to "all or most" customers, but the big majority of 60 percent restrict their largesse to major customers. Prospects are favored by another 14 percent. And 47 percent give to their employees, an increase from 38 percent in our last similar survey. Stockholders rate a gift with only 3 percent of these companies, down from previous reports.

The approximation of 50 million gifts this year, based on our survey reports, does not differ greatly from the numbers indicated in the past two years—although unit costs have moved up to increase the dollar outlay. This comes from a combination of inflation and upgrading of values. Last year, 34 percent of the users said they increased their unit expenditure for gifts; this year only 20 percent did so. This increase represents, in part, replacement of cutbacks in some of the past four or five years. A year ago, 37 percent said they had cut back on gift-giving—either by reducing the number of gifts or, more often, by decreasing the amount spent for each gift. The question covered "the past two years." In this survey, only 20 percent said they had reduced gift expenditures in the past—and about half were restoring the cuts.

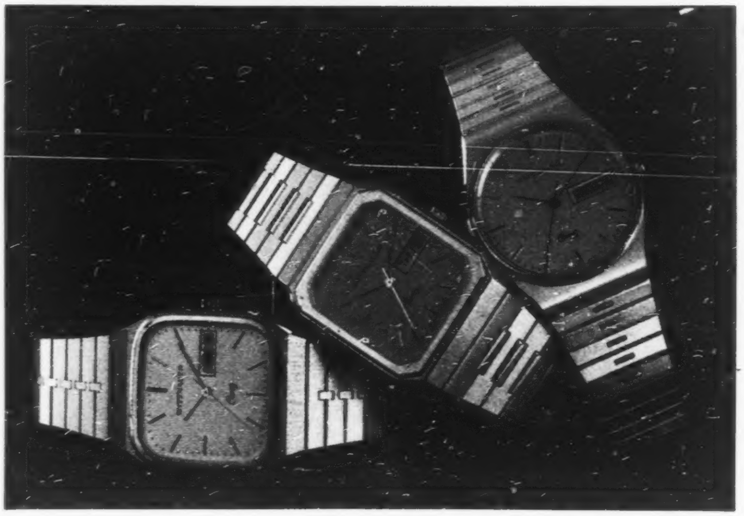
IM's latest business gift survey represents questionnaires received from 185 readers who purchase gifts, with 172 of them giving complete information—including their expenditures in 1983 and estimated gift budgets for this year. A majority of 53 percent showed a year-to-year increase in spending, with only 5 percent reducing gift purchases this year. Budgets range from $200 to more than $400,000, with a median expenditure of $5,100—although the arithmetic average is $18,767 because of the weight exerted by the big spenders. They are giving an average of 732 gifts this year—but the median gift list is just 120 (compared with 125 recorded a year ago). Again, the range is broad—from as few as three gifts to 40,000.

How much should be spent for an individual business gift? The answer is somewhere between $1 and $2,500, according to the Santa Clauses in our survey. The most common price, list-

Respondents to this year's survey said they will increase business gift expenditures by 11 percent in 1984.

T70 35mm SLR Camera
Canon USA, Inc.
(Exhibiting at NP/IS Booth 615)

For more information, circle No. 116 on Reader Action Card.



Odyssey Series Quartz Watches
Longines-Wittnauer Watch Co.

For more information, circle No. 133 on Reader Action Card.

ed by 22 percent of the executives, is $10. The median of all reports is $16, despite an average among the price listings of almost $50. If we consider the numbers of gifts reported by the respondents, the average actual expenditure comes to about $22.95 per unit.

There is a tax consideration in what one chooses to spend for a business gift. Under longstanding Internal Revenue Service rules, the donor may not claim as a tax deduction the expense for a gift or gifts to any one person exceeding $25 in the fiscal year. This means a penalty—extra cost, in effect—whenever you spend more than that for a single gift. It also means some nuisance accounting, if you abide by the letter of IRS regulation.

Nevertheless, 26 percent of the price points mentioned by the survey respondents exceed $25. This has been increasing for several years (actually the percentage was a little higher a year ago), as users find it more and more difficult to buy suitable gifts within limits set in 1962. Accommodating for inflation in the intervening years, a comparable limitation now would be about $83.75.

There is a move afoot now to increase that IRS limit to $100. The move is led by the Specialty Advertising Association International (SAAI), whose members count business gifts as a major part of their market. The new Incentive Federation Inc., a coalition of associations and corporations formed to improve the legal and regulatory climate for all types of incentives, also will probably take a major role.

Meanwhile, companies must keep a $25 lid on gift offerings, or be prepared to take a licking in taxes.

With the great bulk of business gifts coming at Christmas time each year, the pre-Christmas fall period naturally accounts for the greatest purchasing volume. In this year's survey, as usual, October is the big month—when 30 percent place their gift orders. September (25 percent) and November (15 percent) are runners-up. Other gift-buying is spread evenly—and lightly—through the year.

Business gift handling is an individual matter subject to many variations. Pertinent factors include delivery method and location, personalization, item sources and types of items. The latest users' reports on some details may be useful:

Custom Jackets
DeLong Sportswear
(Exhibiting at NP/IS Booth 2138)

For more information, circle No. 118 on Reader Action Card.

Executive Candy Jar
Sugardale Foods, Inc.
(Exhibiting at NP/IS Booth 1712)

For more information, circle No. 154 on Reader Action Card.

Portable Radio/Television
General Electric Co.
(Exhibiting at NP/IS Booth 1606)

For more information, circle No. 126 on Reader Action Card.

How are gifts delivered?

Executives	**45%**
Salespeople	**44%**
Parcel delivery service	**32%**
Mail	**24%**
Messenger	**4%**

Where are gifts presented?

Recipient's place of business	**65%**
Donor's place of business	**27%**
Recipient's home	**26%**

Are gifts personalized?

Yes	**17%**
No	**78%**

Sources of business gifts:

Direct from manufacturer	**43%**
Premium representative	**36%**
Ad specialty counselor	**27%**
Wholesaler	**17%**
Retail store	**15%**
Jobber, incentive house, stamp company,	**14%**
Mail-order firm	**5%**

Preferred type of gift item:

Personal merchandise	**50%**
Desk items	**44%**
Liquor	**34%**
Food	**24%**
Home or decorative items	**18%**
Choice of several items	**15%**
Donor's own product	**3%**

Despite the growth in business gifts, there are still some negatives concerning the practice. Many companies—even those deriving considerable revenue from supplying them—have policies forbidding their employees to accept gifts. Although this practice seems to have stopped growing, it still exists in some places. Notable are governmental agencies at all levels—perhaps most readily understandable.

We asked this year's gift users for their experience in this regard, and 26 percent said that none of the recipients they encountered had such restrictions. The rest, however, said they see such bans in an average of 27 percent of cases. This is somewhat lower than in previous surveys—and only 3 percent said they see this practice increasing; 92 percent said the restrictions are not increasing, while the other 5 percent did not answer.

These executives are positive, regardless of any policies restricting gift practice, that their gifts do no harm.

Christmas remains the major time for gift-giving, and customers remain the main recipients. Most common price for gifts is $10, but some spend up to $400,000.

Decorative Sculpture
Roman, Inc.
(Exhibiting at
NP/IS Booth 2522)

For more information, circle No. 147 on Reader Action Card.

ONEIDA
ONEIDA

Baronet Four-Piece Coffee Set
Oneida Silversmiths
(Exhibiting at
NP/IS Booth 1323)

For more information, circle No. 1 on Reader Action Card.

Asked whether they believe their gifts "have ever improperly influenced a customer's buying decisions," 92 percent said "no". Only 3 percent gave affirmative responses and 5 percent did not answer.

On the other side of the coin—whether gifts they received were intended to exert improper influence—almost as strong a response was found: "no!" said 85 percent, while 9 percent allowed the possibility and 6 percent did not respond.

There is relatively little opportunity to influence these executives through gifts. Although some receive up to 40 or 50 business gifts a year, they are rare; many say they receive none, and the average received is just 8 gifts.

But giving is what counts, they all agree. The business gift is unique in the incentive world, in that it is not really an incentive in the usual sense—not offered in advance in consideration of performance of some service. Its whole *raison d'etre* is that it does not involve any consideration. ■

THE TOP CHOICES

(Listed by 5 percent or more)

Pen or Pen Set	**21%**
Clock	**15%**
Liquor	**10%**
Calendar	**8%**
Diary	**7%**
Watch	**7%**
Knives	**6%**
Fruit	**5%**
Glassware	**5%**
Jacket	**5%**
Desk Set	**5%**

POPULAR CHOICES

(Listed by 2 percent or more, in order of mentions)

Book, Calculator, Ham, Cheese, Coffee Mugs, Food, Gift Certificate, Golf Items, Turkey, Key Chain, Steaks, Candy, Card Case, Leather Goods, Radio, Ruler, Sporting Goods, Tie, Tape Measure, Tray, TV Set, Wine, Briefcase, Auto Accessories, Luggage, Memo Holder, Silverware, Tools.

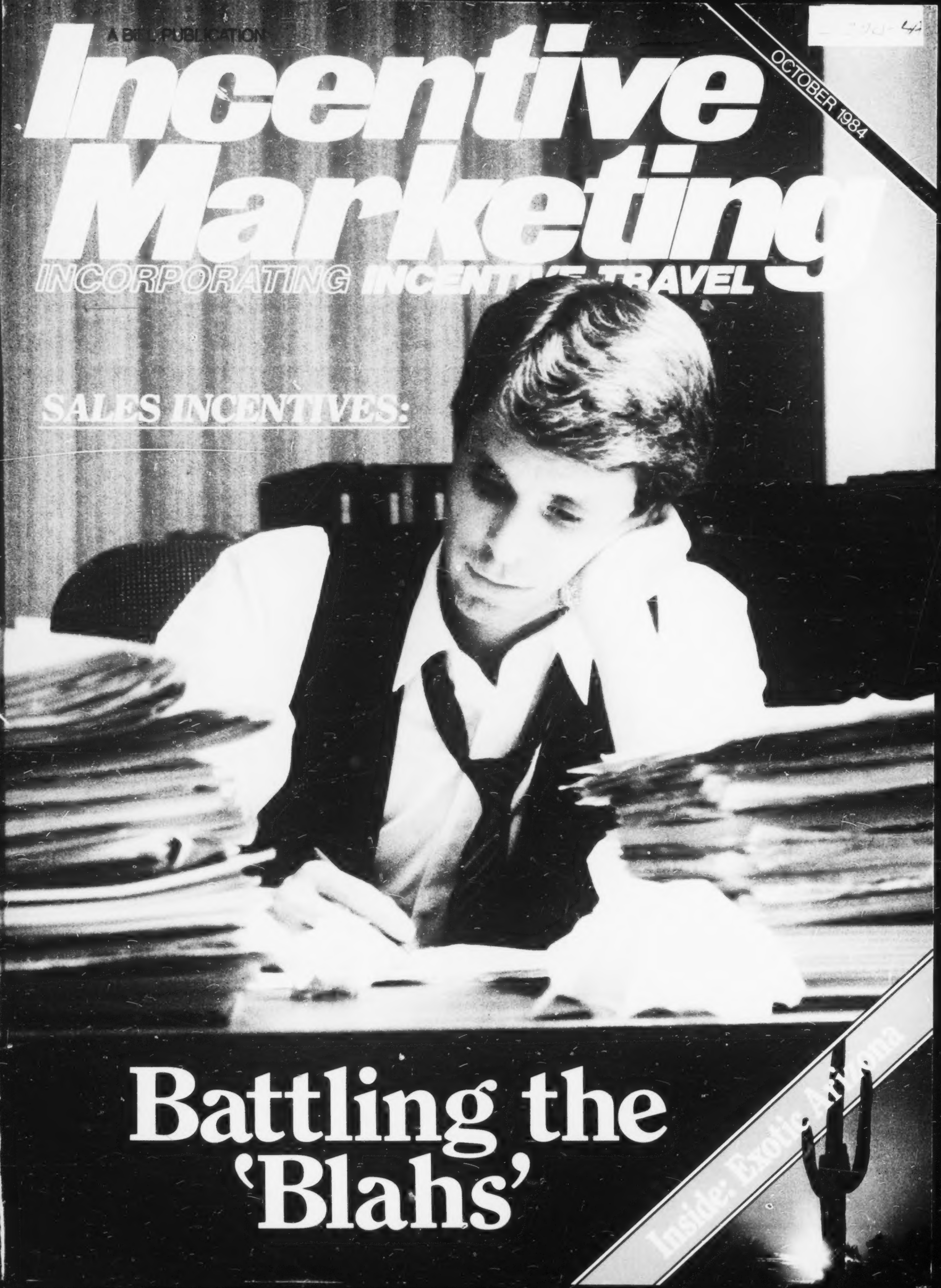
Sept. 1984 Not Filmed

A BILL PUBLICATION

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

OCTOBER 1984



SALES INCENTIVES:

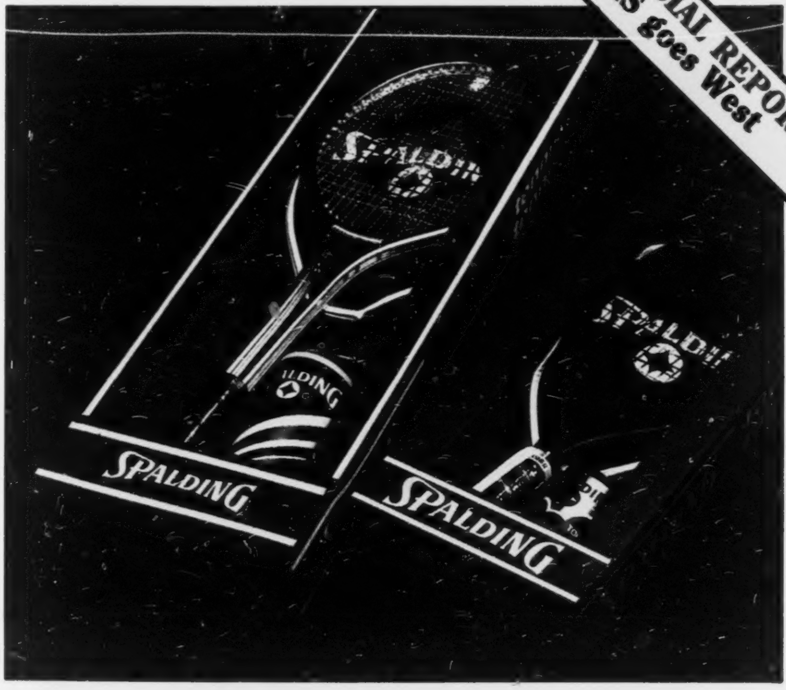
Battling the 'Blahs'

Inside: Exotic Arizona

INCENTIVE M ETING

SPECIAL REPORT
NP/IS goes West

October 1984



Tennis racquets are among the many sporting goods that fit effectively into incentive programs. For story, see page 90.

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Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Industrial Chemical News, Institutional Distribution, Jobber Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant & Hotel Design, Sales & Marketing Management, Successful Meetings, Foodservice Research Center, Market Statistics, Sales Builders, SM Data Bank.

Battling the 'Blahs'

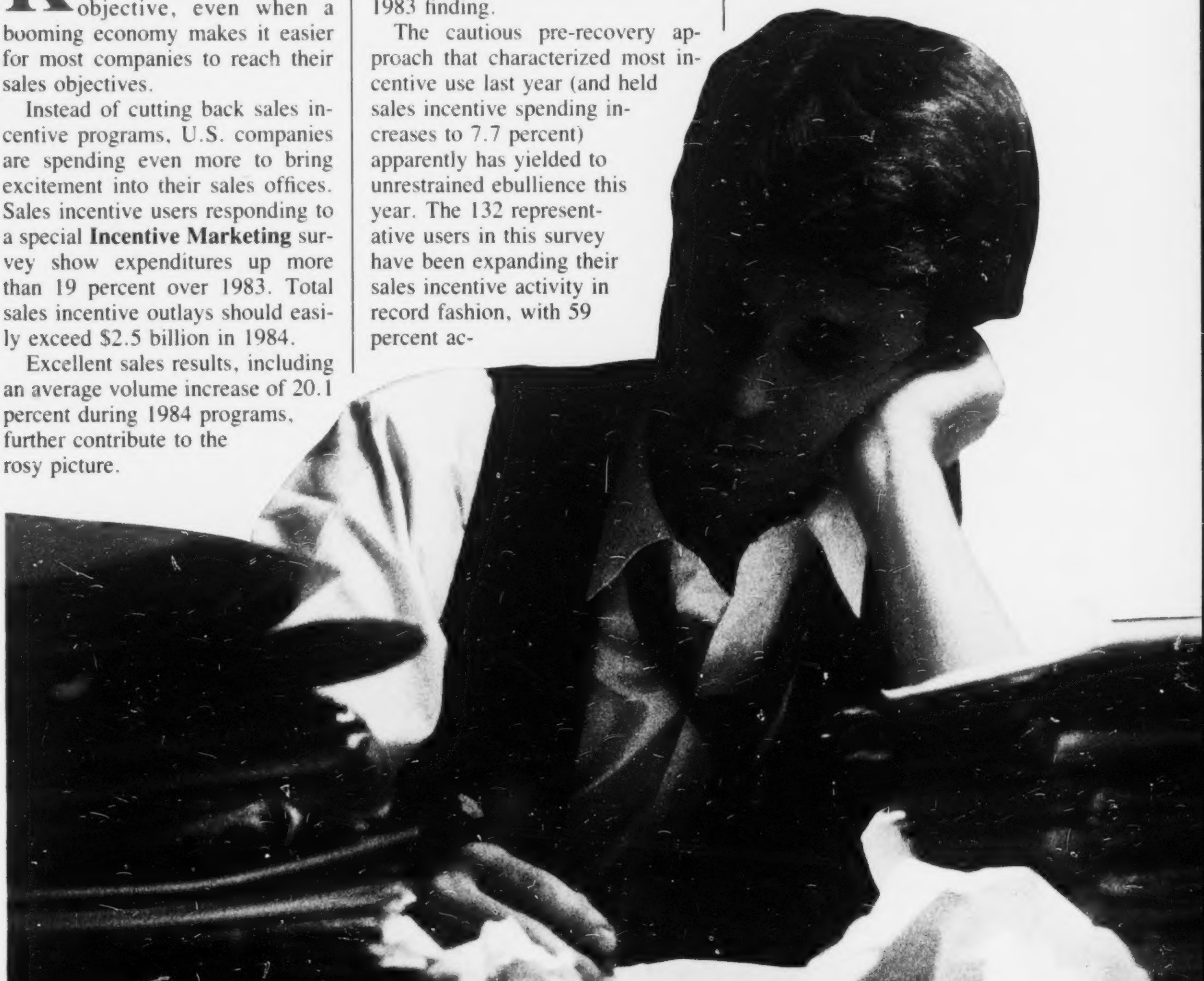
The strong recovery has encouraged companies to spend even more dollars to make sure their people *get out and sell.*

Keeping the sales force motivated remains a common objective, even when a booming economy makes it easier for most companies to reach their sales objectives.

Instead of cutting back sales incentive programs, U.S. companies are spending even more to bring excitement into their sales offices. Sales incentive users responding to a special **Incentive Marketing** survey show expenditures up more than 19 percent over 1983. Total sales incentive outlays should easily exceed $2.5 billion in 1984.

Excellent sales results, including an average volume increase of 20.1 percent during 1984 programs, further contribute to the rosy picture. The average growth rate is three percentage points better than the 1983 finding.

The cautious pre-recovery approach that characterized most incentive use last year (and held sales incentive spending increases to 7.7 percent) apparently has yielded to unrestrained ebullience this year. The 132 representative users in this survey have been expanding their sales incentive activity in record fashion, with 59 percent accelerating merchandise incentive programs and 62 percent expanding



travel incentives. Although more travel users say they have increased usage, the dollar emphasis goes the other way—with merchandise volume up an estimated 21.1 percent and travel up 18.1 percent. The overall increase in dollar investment comes to 19.1 percent over what the same marketers spent in 1983.

Sales incentives, the largest segment of the field, accounted for an estimated $2,489,169,000 last year, about 76 percent of it for merchandise awards and 24 percent for travel campaigns.

Users direct sales force incentive programs to several types of salespeople, but internal employees dominate, according to 67 percent of those responding to this survey. Another 33 percent offer incentives to manufacturers' representatives or agents; 17 percent to wholesaler/jobber personnel; 16 percent to retailer salespeople; and only 2 percent to direct-selling representatives. As the figures suggest, many aim their efforts at more than one type of seller.

Incentive marketers have eyes on many objectives, but the overriding one is to increase total sales volume, as mentioned by 74 percent of these executives. Their second most important goal is introduction of new products, cited by 47 percent. Distribution management—"moving full line or slow items"—ranks third. A number of other objectives earn these users' attention—an average of about 2⅓ different goals per respondent. (See chart below.)

Although more survey respondents claim increased travel usage, they spend more money on merchandise.

The objective, however defined, is most often directed toward results on a company's full line of products or services; that is the practice of exactly half the respondents. For 39 percent, selected items get attention, while only 11 percent put their efforts behind a single product.

Campaign goals, once targeted, must be communicated to the sales force in ways that relate members' efforts to the desired end. This communication is most often achieved by assigning individual quotas, usually via a sales forecast.

Evaluating results is related to the quota issue. The favorite evaluation method is perhaps the simplest: 54 percent rate their success on total dollars or units sold during the campaign. Second choice, however, is the percentage of the sales force reaching quota, preferred by 42 percent. About 18 percent look for increased market share, and 17 percent count profit on incremental sales; 11 percent take what amounts to a team approach, basing judgment on branch or district sales office performance.

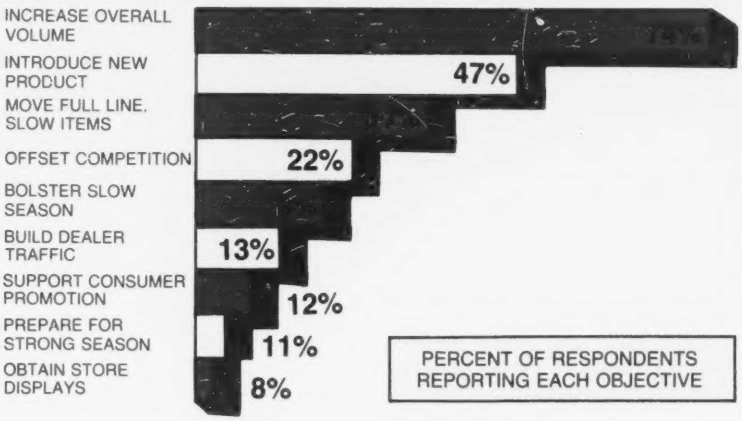
The comeback in sales figures is accompanied by an upturn in the level of qualification. The average percentage of salespeople earning awards had hovered around 48 percent to 50 percent for several years and dropped to only 39 percent in 1982. The present rate of 44 percent represents a 50 percent qualification in merchandise programs and 36 percent in travel campaigns.

Many companies provide for earning of minimum awards below full quota achievement and throw in a little extra for the over-achievers. More than half of the users surveyed say they require participants to reach 100 percent of quota before winning anything, but others give some credit at much lower levels. The overall average is 93 percent of quota for the first level of awards. Additional winnings are provided up to an average of 133 percent.

All of the industries that lead in sales incentive use are well represented in the latest survey, and there appears to be no significant variation in the reports. Practices remain similar in most cases, and the improved results are fairly uniform.

The top 10 sales incentive user industries have changed little in several years, and the latest total

SALES INCENTIVE OBJECTIVES



estimates, for 1983, show the same 10 in the same order as in the previous two years. (See chart, page 62.) But, in terms of total spending last year, they represent a bigger piece of the pie—59 percent of all dollar expenditures, compared with 55 percent a year earlier.

Insurance remains on top by a good margin, with 1983 sales incentive spending estimated at $262,472,000, $54 million ahead of the second user—the automotive aftermarket—and about 10.5 percent of the entire sales incentive field.

Last year's special survey concentrated on the insurance business, and found that its users:

- Achieved larger sales increases than the all-industry average.
- Relied more heavily on travel programs, accounting for 54 percent of their spending.
- Spent more for their trips, but qualified fewer people, and spent less than the all-industry average for merchandise awards.
- Incorporated much more educational and training time in trips.
- Leaned toward continuous, year-long campaigns with total sales objectives for its people.

For other industries, more frequent shorter programs remain the norm. Users of merchandise-only promotions continue to use a median of three per year, while travel users have a median of one. Companies conducting programs offering both merchandise and travel—more than 20 percent of respondents—show a median of two sales incentive programs each year.

Sales incentive users report an average volume growth of more than 20 percent during their campaigns.

Since the last similar **IM** survey in 1982, the average travel campaign has become a bit longer—from 27 to 30 weeks' selling time—while merchandise promotions have curtailed from 17 weeks to 13 weeks.

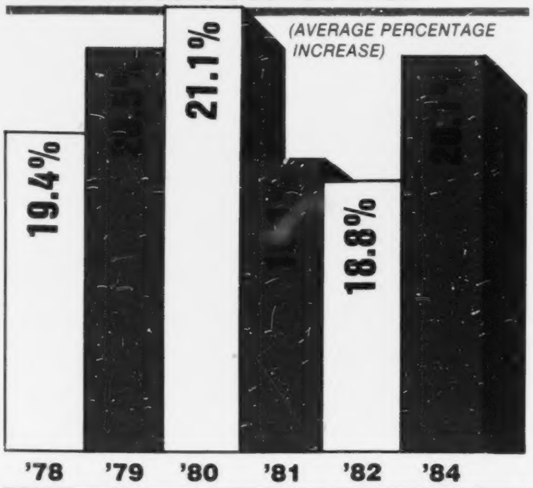
The time required to plan the typical sales incentive drive is close to the length of the program—32 weeks in the case of travel, and the same 13 weeks for merchandise offers.

The planning process includes many elements. Travel is somewhat more complex to set up—but both promotion types require advance time and effort to be successful. There are not only merchandise or trip arrangements to purchase, but promotional mailings to create, kickoff meetings to set up, gifts, advertising specialties and sometimes on-site meetings in a travel campaign. There is the question of administrative detail, assignment of responsibilities, standings reports and notification of winners. And there is the design of record systems that will provide accurate evaluation at the end of the promotion.

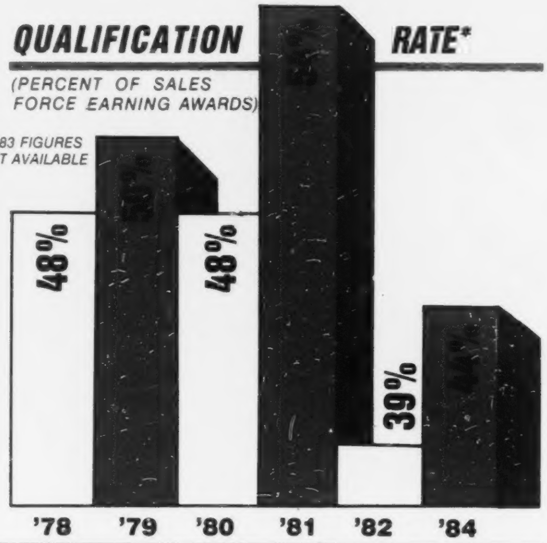
Preparation of the initial promotional materials, campaign rules and other information for the sales force is a vital task. And the portion of budget allocated to promotion may be quite large—up to 30 percent or more of the total program cost in some cases. Others allocate as little as 1 percent to these costs. On the average, users in this year's survey spend 11 percent of the program budget on promotional support.

Determining the type of award to be offered is clearly one of the first essential steps. The largest

SALES RESULTS BOUNCE BACK*



QUALIFICATION RATE*

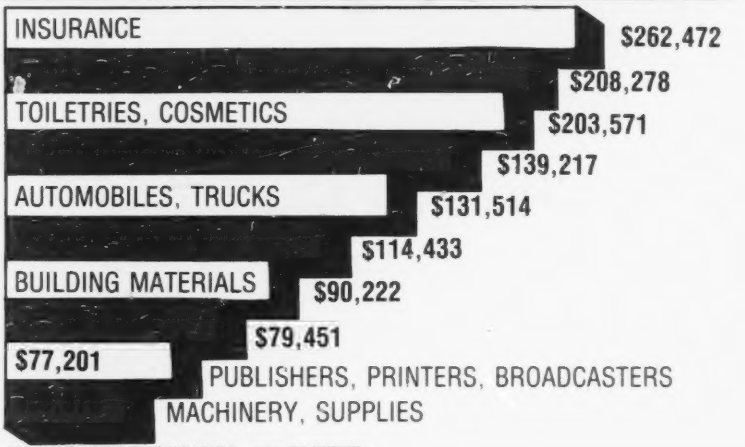


*1983 FIGURES NOT AVAILABLE

Insurance remains the top user industry for sales incentives; the automotive aftermarket ranks second.

group of respondents (44 percent) prefers to use a single merchandise item or group of related items, while another 34 percent choose the variety of a merchandise catalog from an incentive firm. Eleven percent like to put together their own more limited catalogs or merchandise assortments. On the travel side, sales incentive users lean more to individual trip awards (32 percent), but group trips are close behind (30 percent). Many companies use more than one type of award, so the percentages add to more than 100 percent.

TOP SALES INCENTIVE USERS, 1983



(ALL FIGURES THOUSANDS—000 OMITTED)

There are eight principal sources available to the incentive user, depending upon the nature of his program and other factors. Most popular are manufacturers, in the case of merchandise promotions. Travel users prefer to make their own arrangements, which also usually involves a local travel agency. Here is how they stacked up in the latest survey:

Merchandise

30% Direct from manufacturer
27% Wholesaler/premium jobber
24% Full-service incentive house
16% Manufacturers' rep

Travel

33% Make own arrangements
17% Full-service incentive house
14% Travel wholesaler
8% Travel carrier/hotel

Price tags on their purchases have not changed dramatically since the most recent IM survey two years ago. Merchandise award costs actually have declined slightly from the earlier figures. This year's reports average $232 with a median of $100; the previous study found the average at $246, but the median $117. Travel costs have increased by $100 in the averages—from $1,564

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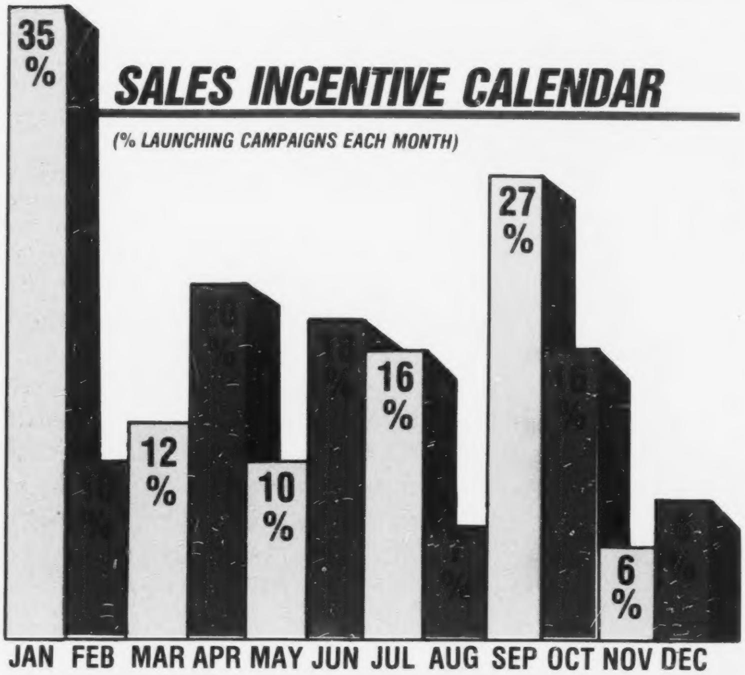
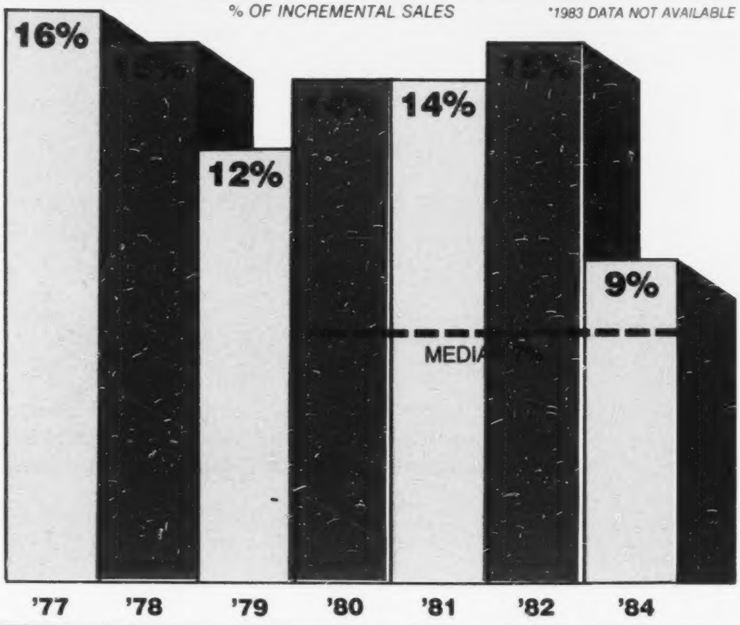


SALES INCENTIVE CALENDAR

(% LAUNCHING CAMPAIGNS EACH MONTH)

THE AVERAGE COST DECLINES*



% OF INCREMENTAL SALES

*1983 DATA NOT AVAILABLE

to $1,664—but the median of $1,200 is unchanged.

In most cases the cost of a travel award represents a trip for two persons. We also asked these executives to indicate their per-person expenditures. The average reported was $1,175, with a median of $900 for each person traveling. The difference represents the fact that, in the case of sales incentive travel, a smaller percentage of trip awards includes spouses than with dealer promotions.

Controlling award unit costs in spite of inflation in the past several years has been a factor in holding the line on total program costs in relation to sales achieved. Users have adjusted prize structures to fit available dollars in relation to sales potential, rather than holding fast to specific awards and moving costs upward. They have been less successful in holding down the cost increases in travel than in merchandise.

The present cost average of 9 percent of incremental sales is one apparent result. This compares with substantially higher ratios in recent years. (See chart, left.) It should be noted, however, that the norm in incentive cost, as represented by the *median* cost figures, has not changed in four years. That figure remains at 7 percent. But the average encompasses a considerable number of users whose costs have run much higher than the norm.

The lower cost of sales incentives, relative to incremental sales, appears not to be unique in this area—but is part of a dynamic trend in this year of strong economic movement. Executives reporting in **IM's** survey on dealer incentives (**IM**, April 1984) also showed a low-cost trend, with a 10 percent figure against added sales. In our travel survey (**IM**, July 1984), both sales and dealer programs, taken together, came up with a lowered cost percentage—10.5 percent.

Thus it seems that incentives in general are on a concerted upswing with the economy. ■